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WHAT SHALL WE DO WITH IT?

(*MEANING THE SURPLUS*)

TAXATION AND REVENUE DISCUSSED

BY

PRESIDENT CLEVELAND

IN HIS MESSAGE TO CONGRESS, DEC. 6, 1887

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PRESIDENT CLEVELAND'S MESSAGE TO CONGRESS.

[*From the "Congressional Record," December 7,* 1887.]

To the Congress of the United States:

You are confronted at the threshold of your legislative duties with a condition of the national finances which imperatively demands immediate and careful consideration.

The amount of money annually exacted, through the operation of present laws, from the industries and necessities of the people, largely exceeds the sum necessary to meet the expenses of the government.

When we consider that the theory of our institutions guarantees to every citizen the full enjoyment of all the fruits of his industry and enterprise, with only such deduction as may be his share towards the careful and economical maintenance of the government which protects him, it is plain that the exaction of more than this is indefensible extortion, and a culpable betrayal of American fairness and justice. This wrong inflicted upon those who bear the burden of national taxation, like other wrongs, multiplies a brood of evil consequences. The public treasury, which should only exist as a conduit conveying the people's tribute to its legitimate objects of expenditure, becomes a hoarding-place for money needlessly withdrawn from trade and the people's use, thus crippling our national energies, suspending our country's development, preventing investment in productive enterprise, threatening financial disturbance, and inviting schemes of public plunder.

The condition of our Treasury is not altogether new; and it has more than once of late been submitted to the people's representatives in the Congress, who alone can apply a remedy. And yet the situation

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still continues, with aggravated incidents, more than ever presaging financial convulsion and widespread disaster.

It will not do to neglect this situation because its dangers are not now palpably imminent and apparent. They exist none the less certainly, and await the unforeseen and unexpected occasion when suddenly they will be precipitated upon us.

On the 30th day of June, 1885, the excess of revenues over public expenditures after complying with the annual requirement of the sinking-fund act, was $17,859,735.84; during the year ended June 30, 1886, such excess amounted to $49,405,545.20; and during the year ended June 30, 1887, it reached the sum of $55,567,849.54.

The annual contributions to the sinking fund during the three years above specified, amounting in the aggregate to $138,058,320.94, and deducted from the surplus as stated, were made by calling in for that purpose outstanding three per cent. bonds of the government. During the six months prior to June 30, 1887, the surplus revenue had grown so large by repeated accumulations, and it was feared the withdrawal of this great sum of money needed by the people would so affect the business of the country that the sum of $79,864,100 of such surplus was applied to the payment of the principal and interest of the three per cent. bonds still outstanding, and which were then payable at the option of the government. The precarious condition of financial affairs among the people still needing relief, immediately after the 30th day of June, 1887, the remainder of the three per cent. bonds then outstanding, amounting with principal and interest to the sum of $18,877,500, were called in and applied to the sinking-fund contribution for the current fiscal year. Notwithstanding these operations of the Treasury Department, representations of distress in business circles not only continued but increased, and absolute peril seemed at hand. In these circumstances the contribution to the sinking fund for the current fiscal year was at once completed by the expenditure of $27,684,283.55 in the purchase of government bonds not yet due bearing four and four and a half per cent. interest, the premium paid thereon averaging about twenty-four per cent. for the former and eight per cent. for the latter. In addition to this the interest accruing during the current year upon

the outstanding bonded indebtedness of the government was to some extent anticipated, and banks selected as depositories of public money were permitted to somewhat increase their deposits.

While the expedients thus employed, to release to the people the money lying idle in the Treasury, served to avert immediate danger, our surplus revenues have continued to accumulate, the excess for the present year amounting on the 1st day of December to $55,258,701.19, and estimated to reach the sum of $113,000,000 on the 30th of June next, at which date it is expected that this sum, added to prior accumulations, will swell the surplus in the Treasury to $140,000,000.

There seems to be no assurance that, with such a withdrawal from use of the people's circulating medium, our business community may not in the near future be subjected to the same distress which was quite lately produced from the same cause. And while the functions of our national Treasury should be few and simple, and while its best condition would be reached, I believe, by its entire disconnection with private business interests, yet when, by a perversion of its purposes, it idly holds money uselessly subtracted from the channels of trade, there seems to be reason for the claim that some legitimate means should be devised by the government to restore in an emergency, without waste or extravagance, such money to its place among the people.

If such an emergency arises there now exists no clear and undoubted executive power of relief. Heretofore the redemption of three per cent. bonds, which were payable at the option of the government, has afforded a means for the disbursement of the excess of our revenues; but these bonds have all been retired, and there are no bonds outstanding the payment of which we have the right to insist upon. The contribution to the sinking fund which furnishes the occasion for expenditure in the purchase of bonds has been already made for the current year, so that there is no outlet in that direction.

In the present state of legislation the only pretence of any existing executive power to restore, at this time, any part of our surplus revenues to the people by its expenditure, consists in the supposition that the Secretary of the Treasury may enter the market and purchase the bonds of the government not yet due, at a rate of premium to be agreed

upon. The only provision of law from which such a power could be derived is found in an appropriation bill passed a number of years ago; and it is subject to the suspicion that it was intended as temporary and limited in its application, instead of conferring a continuing discretion and authority. No condition ought to exist which would justify the grant of power to a single official, upon his judgment of its necessity, to withhold from or release to the business of the people, in an unusual manner, money held in the Treasury, and thus affect, at his will, the financial situation of the country; and if it is deemed wise to lodge in the Secretary of the Treasury the authority in the present juncture to purchase bonds, it should be plainly vested, and provided, as far as possible, with such checks and limitations as will define this official's right and discretion, and at the same time relieve him from undue responsibility.

In considering the question of purchasing bonds as a means of restoring to circulation the surplus money accumulating in the Treasury, it should be borne in mind that premiums must of course be paid upon such purchase, that there may be a large part of these bonds held as investments which cannot be purchased at any price, and that combinations among holders who are willing to sell may unreasonably enhance the cost of such bonds to the government.

It has been suggested that the present bonded debt might be refunded at a less rate of interest, and the difference between the old and new security paid in cash, thus finding use for the surplus in the treasury. The success of this plan, it is apparent, must depend upon the volition of the holders of the present bonds; and it is not entirely certain that the inducement which must be offered them would result in more financial benefit to the government than the purchase of bonds, while the latter proposition would reduce the principal of the debt by actual payment, instead of extending it.

The proposition to deposit the money held by the government in banks throughout the country, for use by the people, is, it seems to me, exceedingly objectionable in principle, as establishing too close a relationship between the operations of the government Treasury and the business of the country, and too extensive a commingling of their

money, thus fostering an unnatural reliance in private business upon public funds. If this scheme should be adopted it should only be done as a temporary expedient to meet an urgent necessity. Legislative and executive effort should generally be in the opposite direction and should have a tendency to divorce, as much and as fast as can safely be done, the Treasury Department from private enterprise.

Of course it is not expected that unnecessary and extravagant appropriations will be made for the purpose of avoiding the accumulation of an excess of revenue. Such expenditure, besides the demoralization of all just conceptions of public duty which it entails, stimulates a habit of reckless improvidence not in the least consistent with the mission of our people or the high and beneficent purposes of our government.

I have deemed it my duty to thus bring to the knowledge of my countrymen, as well as to the attention of their representatives charged with the responsibility of legislative relief, the gravity of our financial situation. The failure of the Congress heretofore to provide against the dangers which it was quite evident the very nature of the difficulty must necessarily produce, caused a condition of financial distress and apprehension since your last adjournment, which taxed to the utmost all the authority and expedients within executive control; and these appear now to be exhausted. If disaster results from the continued inaction of Congress, the responsibility must rest where it belongs.

Though the situation thus far considered is fraught with danger which should be fully realized, and though it presents features of wrong to the people as well as peril to the country, it is but a result growing out of a perfectly palpable and apparent cause, constantly reproducing the same alarming circumstances—a congested National Treasury and a depleted monetary condition in the business of the country. It need hardly be stated that while the present situation demands a remedy, we can only be saved from a like predicament in the future by the removal of its cause.

Our scheme of taxation, by means of which this needless surplus is taken from the people and put into the public treasury, consists of a tariff or duty levied upon importations from abroad, and internal revenue taxes levied upon the consumption of tobacco and spirituous and malt

liquors. It must be conceded that none of the things subjected to internal-revenue taxation are, strictly speaking, necessaries; there appears to be no just complaint of this taxation by the consumers of these articles, and there seems to be nothing so well able to bear the burden without hardship to any portion of the people.

But our present tariff laws, the vicious, inequitable, and illogical source of unnecessary taxation, ought to be at once revised and amended. These laws, as their primary and plain effect, raise the price to consumers of all articles imported and subject to duty, by precisely the sum paid for such duties. Thus the amount of the duty measures the tax paid by those who purchase for use these imported articles. Many of these things, however, are raised or manufactured in our own country, and the duties now levied upon foreign goods and products are called protection to these home manufactures, because they render it possible for those of our people who are manufacturers to make these taxed articles and sell them for a price equal to that demanded for the imported goods that have paid customs duty. So it happens that while comparatively a few use the imported articles, millions of our people, who never used and never saw any of the foreign products, purchase and use things of the same kind made in this country, and pay therefor nearly or quite the same enhanced price which the duty adds to the imported articles. Those who buy imports pay the duty charged thereon into the public treasury, but the great majority of our citizens, who buy domestic articles of the same class, pay a sum at least approximately equal to this duty to the home manufacturer. This reference to the operation of our tariff laws is not made by way of instruction, but in order that we may be constantly reminded of the manner in which they impose a burden upon those who consume domestic products as well as those who consume imported articles, and thus create a tax upon all our people.

It is not proposed to entirely relieve the country of this taxation. It must be extensively continued as the source of the government's income; and in a readjustment of our tariff the interests of American labor engaged in manufacture should be carefully considered, as well as the preservation of our manufacturers. It may be called protection, or by any other name, but relief from the hardships and dangers of our

present tariff laws should be devised with especial precaution against imperiling the existence of our manufacturing interests. But this existence should not mean a condition which, without regard to the public welfare or a national exigency, must always insure the realization of immense profits instead of moderately profitable returns. As the volume and diversity of our national activities increase, new recruits are added to those who desire a continuation of the advantages which they conceive the present system of tariff taxation directly affords them. So stubbornly have all efforts to reform the present condition been resisted by those of our fellow-citizens thus engaged, that they can hardly complain of the suspicion, entertained to a certain extent, that there exists an organized combination all along the line to maintain their advantage.

We are in the midst of centennial celebrations, and with becoming pride we rejoice in American skill and ingenuity, in American energy and enterprise, and in the wonderful natural advantages and resources developed by a century's national growth. Yet when an attempt is made to justify a scheme which permits a tax to be laid upon every consumer in the land for the benefit of our manufacturers, quite beyond a reasonable demand for governmental regard, it suits the purposes of advocacy to call our manufactures infant industries, still needing the highest and greatest degree of favor and fostering care that can be wrung from Federal legislation.

It is also said that the increase in the price of domestic manufactures resulting from the present tariff is necessary in order that higher wages may be paid to our workingmen employed in manufactories, than are paid for what is called the pauper labor of Europe. All will acknowledge the force of an argument which involves the welfare and liberal compensation of our laboring people. Our labor is honorable in the eyes of every American citizen; and as it lies at the foundation of our development and progress, it is entitled, without affectation or hypocrisy, to the utmost regard. The standard of our laborers' life should not be measured by that of any other country less favored, and they are entitled to their full share of all our advantages.

By the last census it is made to appear that of the 17,392,099 of our population engaged in all kinds of industries, 7,670,493 are em-

ployed in agriculture, 4,074,238 in professional and personal service (2,934,876 of whom are domestic servants and laborers), while 1,810,256 are employed in trade and transportation, and 3,837,112 are classed as employed in manufacturing and mining.

For present purposes, however, the last number given should be considerably reduced. Without attempting to enumerate all, it will be conceded that there should be deducted from those which it includes 375,143 carpenters and joiners, 285,401 milliners, dressmakers, and seamstresses, 172,726 blacksmiths, 133,756 tailors and tailoresses, 102,473 masons, 76,241 butchers, 41,309 bakers, 22,083 plasterers, and 4891 engaged in manufacturing agricultural implements, amounting in the aggregate to 1,214,023, leaving 2,623,089 persons employed in such manufacturing industries as are claimed to be benefited by a high tariff.

To these the appeal is made to save their employment and maintain their wages by resisting a change. There should be no disposition to answer such suggestions by the allegation that they are in a minority among those who labor, and therefore should forego an advantage, in the interest of low prices for the majority; their compensation, as it may be affected by the operation of tariff laws, should at all times be scrupulously kept in view; and yet with slight reflection they will not overlook the fact that they are consumers with the rest; that they, too, have their own wants and those of their families to supply from their earnings, and that the price of the necessaries of life, as well as the amount of their wages, will regulate the measure of their welfare and comfort.

But the reduction of taxation demanded should be so measured as not to necessitate or justify either the loss of employment by the workingman nor the lessening of his wages; and the profits still remaining to the manufacturer, after a necessary readjustment, should furnish no excuse for the sacrifice of the interests of his employees either in their opportunity to work or in the diminution of their compensation. Nor can the worker in manufactures fail to understand that while a high tariff is claimed to be necessary to allow the payment of remunerative wages, it certainly results in a very large increase in the price of nearly

all sorts of manufactures, which, in almost countless forms, he needs for the use of himself and his family. He receives at the desk of his employer his wages, and perhaps before he reaches his home is obliged, in a purchase for family use of an article which embraces his own labor, to return in the payment of the increase in price which the tariff permits the hard-earned compensation of many days of toil.

The farmer and the agriculturist who manufacture nothing, but who pay the increased price which the tariff imposes, upon every agricultural implement, upon all he wears and upon all he uses and owns, except the increase of his flocks and herds and such things as his husbandry produces from the soil, is invited to aid in maintaining the present situation; and he is told that a high duty on imported wool is necessary for the benefit of those who have sheep to shear, in order that the price of their wool may be increased. They, of course, are not reminded that the farmer who has no sheep is by this scheme obliged, in his purchases of clothing and woollen goods, to pay a tribute to his fellow-farmer as well as to the manufacturer and merchant; nor is any mention made of the fact that the sheep-owners themselves and their households must wear clothing and use other articles manufactured from the wool they sell at tariff prices, and thus as consumers must return their share of this increased price to the tradesman.

I think it may be fairly assumed that a large proportion of the sheep owned by the farmers throughout the country are found in small flocks numbering from twenty-five to fifty. The duty on the grade of imported wool which these sheep yield is ten cents each pound if of the value of thirty cents or less, and twelve cents if of the value of more than thirty cents. If the liberal estimate of six pounds be allowed for each fleece, the duty thereon would be sixty or seventy-two cents, and this may be taken as the utmost enhancement of its price to the farmer by reason of this duty. Eighteen dollars would thus represent the increased price of the wool from twenty-five sheep and thirty-six dollars that from the wool of fifty sheep; and at present values this addition would amount to about one third of its price. If upon its sale the farmer receives this or a less tariff profit, the wool leaves his hands charged with precisely that sum, which in all its

changes will adhere to it, until it reaches the consumer. When manufactured into cloth and other goods and material for use, its cost is not only increased to the extent of the farmer's tariff profit, but a further sum has been added for the benefit of the manufacturer under the operation of other tariff laws. In the meantime the day arrives when the farmer finds it necessary to purchase woollen goods and material to clothe himself and family for the winter. When he faces the tradesman for that purpose he discovers that he is obliged not only to return in the way of increased prices his tariff profit on the wool he sold, and which then, perhaps, lies before him in manufactured form, but that he must add a considerable sum thereto to meet a further increase in cost caused by a tariff duty on the manufacture. Thus in the end he is aroused to the fact that he has paid upon a moderate purchase, as a result of the tariff scheme, which, when he sold his wool seemed so profitable, an increase in price more than sufficient to sweep away all the tariff profit he received upon the wool he produced and sold.

When the number of farmers engaged in wool-raising is compared with all the farmers in the country, and the small proportion they bear to our population is considered; when it is made apparent that, in the case of a large part of those who own sheep the benefit of the present tariff on wool is illusory; and, above all, when it must be conceded that the increase of the cost of living caused by such tariff becomes a burden upon those with moderate means and the poor, the employed and unemployed, the sick and well, and the young and old, and that it constitutes a tax which, with relentless grasp, is fastened upon the clothing of every man, woman, and child in the land, reasons are suggested why the removal or reduction of this duty should be included in a revision of our tariff laws.

In speaking of the increased cost to the consumer of our home manufactures, resulting from a duty laid upon imported articles of the same description, the fact is not overlooked that competition among our domestic producers sometimes has the effect of keeping the price of their products below the highest limit allowed by such duty. But it is notorious that this competition is too often strangled by combina-

tions quite prevalent at this time, and frequently called trusts, which have for their object the regulation of the supply and price of commodities made and sold by members of the combination. The people can hardly hope for any consideration in the operation of these selfish schemes.

If, however, in the absence of such combination, a healthy and free competition reduces the price of any particular dutiable article of home production below the limit which it might otherwise reach under our tariff laws, and if, with such reduced price, its manufacture continues to thrive, it is entirely evident that one thing has been discovered which should be carefully scrutinized in an effort to reduce taxation.

The necessity of combination to maintain the price of any commodity to the tariff point furnishes proof that some one is willing to accept lower prices for such commodity, and that such prices are remunerative; and lower prices produced by competition prove the same thing. Thus where either of these conditions exists a case would seem to be presented for an easy reduction of taxation.

The considerations which have been presented touching our tariff laws are intended only to enforce an earnest recommendation that the surplus revenues of the government be prevented by the reduction of our customs duties, and, at the same time, to emphasize a suggestion that in accomplishing this purpose we may discharge a double duty to our people by granting to them a measure of relief from tariff taxation in quarters where it is most needed and from sources where it can be most fairly and justly accorded.

Nor can the presentation made of such considerations be, with any degree of fairness, regarded as evidence of unfriendliness towards our manufacturing interests, or of any lack of appreciation of their value and importance.

These interests constitute a leading and most substantial element of our national greatness and furnish the proud proof of our country's progress. But if in the emergency that presses upon us our manufacturers are asked to surrender something for the public good and to avert disaster, their patriotism, as well as a grateful recognition of advantages already afforded, should lead them to willing co-operation. No

demand is made that they shall forego all the benefits of governmental regard; but they cannot fail to be admonished of their duty, as well as their enlightened self-interest and safety, when they are reminded of the fact that financial panic and collapse, to which the present condition tends, afford no greater shelter or protection to our manufactures than to our other important enterprises. Opportunity for safe, careful, and deliberate reform is now offered; and none of us should be unmindful of a time when an abused and irritated people, heedless of those who have resisted timely and reasonable relief, may insist upon a radical and sweeping rectification of their wrongs.

The difficulty attending a wise and fair revision of our tariff laws is not underestimated. It will require on the part of the Congress great labor and care, and especially a broad and national contemplation of the subject, and a patriotic disregard of such local and selfish claims as are unreasonable and reckless of the welfare of the entire country.

Under our present laws more than four thousand articles are subject to duty. Many of these do not in any way compete with our own manufactures, and many are hardly worth attention as subjects of revenue. A considerable reduction can be made in the aggregate, by adding them to the free list. The taxation of luxuries presents no features of hardship; but the necessaries of life used and consumed by all the people, the duty upon which adds to the cost of living in every home, should be greatly cheapened.

The radical reduction of the duties imposed on raw material used in manufactures, or its free importation, is of course an important factor in any effort to reduce the price of these necessaries; it would not only relieve them from the increased cost caused by the tariff on such material, but the manufactured product being thus cheapened, that part of the tariff now laid upon such product, as a compensation to our manufacturers for the present price of raw material, could be accordingly modified. Such reduction, or free importation, would serve, besides, to largely reduce the revenue. It is not apparent how such a change can have any injurious effect upon our manufacturers. On the contrary, it would appear to give them a better chance in foreign markets with the manufacturers of other countries, who cheapen

their wares by free material. Thus our people might have the opportunity of extending their sales beyond the limits of home consumption —saving them from the depression, interruption in business, and loss caused by a glutted domestic market, and affording their employees more certain and steady labor, with its resulting quiet and contentment.

The question thus imperatively presented for solution should be approached in a spirit higher than partisanship and considered in the light of that regard for patriotic duty which should characterize the action of those intrusted with the weal of a confiding people. But the obligation to declared party policy and principle is not wanting to urge prompt and effective action. Both of the great political parties now represented in the government have, by repeated and authoritative declarations, condemned the condition of our laws which permit the collection from the people of unnecessary revenue, and have, in the most solemn manner, promised its correction; and neither as citizens or partisans are our countrymen in a mood to condone the deliberate violation of these pledges.

Our progress towards a wise conclusion will not be improved by dwelling upon the theories of protection and free trade. This savors too much of bandying epithets. It is a *condition* which confronts us —not a theory. Relief from this condition may involve a slight reduction of the advantages which we award our home productions, but the entire withdrawal of such advantages should not be contemplated. The question of free trade is absolutely irrelevant; and the persistent claim made in certain quarters, that all efforts to relieve the people from unjust and unnecessary taxation are schemes of so-called free-traders, is mischievous and far removed from any consideration for the public good.

The simple and plain duty which we owe the people is to reduce taxation to the necessary expenses of an economical operation of the government, and to restore to the business of the country the money which we hold in the Treasury through the perversion of governmental powers. These things can and should be done with safety to all our industries, without danger to the opportunity for remunerative

labor which our workingmen need, and with benefit to them and all our people, by cheapening their means of subsistence and increasing the measure of their comforts.

The Constitution provides that the President "shall, from time to time, give to the Congress information of the state of the Union." It has been the custom of the Executive, in compliance with this provision, to annually exhibit to the Congress, at the opening of its session, the general condition of the country, and to detail, with some particularity, the operations of the different executive departments. It would be especially agreeable to follow this course at the present time, and to call attention to the valuable accomplishments of these departments during the last fiscal year. But I am so much impressed with the paramount importance of the subject to which this communication has thus far been devoted, that I shall forego the addition of any other topic, and only urge upon your immediate consideration the "state of the Union" as shown in the present consideration of our Treasury and our general fiscal situation, upon which every element of our safety and prosperity depends.

The reports of the heads of departments, which will be submitted, contain full and explicit information touching the transaction of the business intrusted to them, and such recommendations relating to legislation in the public interests as they deem advisable. I ask for these reports and recommendations the deliberate examination and action of the legislative branch of the government.

There are other subjects not embraced in the departmental reports demanding legislative consideration and which I should be glad to submit. Some of them, however, have been earnestly presented in previous messages, and as to them, I beg leave to repeat prior recommendations.

As the law makes no provision for any report from the Department of State, a brief history of the transactions of that important department, together with other matters which it may hereafter be deemed essential to commend to the attention of the Congress, may furnish the occasion for a future communication.

GROVER CLEVELAND.

WASHINGTON, *December* 6, 1887.

VIEWS

UPON THE RECOMMENDATION OF THE PRESIDENT.

BY

JAMES G. BLAINE.

[*From the New York Tribune.*]

PARIS, December 7.—After reading an abstract of the President's message, laid before all Europe this morning, I saw Mr. Blaine and asked him if he would be willing to give his views upon the recommendation of the President in the form of a letter or interview. He preferred an interview, if I would agree to send him an intelligent shorthand reporter, with such questions as should give free scope for an expression of his views. The following lucid and powerful statement is the result. Mr. Blaine began by saying to the reporter:

"I have been reading an abstract of the President's message, and have been especially interested in the comments of the London papers. Those papers all assume to declare the message a free-trade manifesto, and evidently are anticipating an enlarged market for English fabrics in the United States as a consequence of the President's recommendations. Perhaps that fact stamped the character of the message more clearly than any words of mine can."

"You don't mean actual free trade without duty?" queried the reporter.

"No," replied Mr. Blaine. "Nor do the London papers mean that. They simply mean that the President has recommended what in the United States is known as a revenue tariff, rejecting the protective feature as an object, and not even permitting protection to result freely as an incident to revenue duties."

"I don't know that I quite comprehend that last point," said the reporter.

"I mean," said Mr. Blaine, "that for the first time in the history of the United States the President recommends retaining the internal tax in order that the tariff may be forced down even below the fair revenue standard. He recommends that the tax on tobacco be retained, and thus that many millions annually shall be levied on a domestic product which would far better come from a tariff on foreign fabrics."

"Then do you mean to imply that you would favor the repeal of the tobacco tax?"

"Certainly; I mean just that," said Mr. Blaine. "I should urge that it be done at once, even before the Christmas holidays. It would, in the first place, bring great relief to growers of tobacco all over the country, and would, moreover, materially lessen the price of the article to consumers. Tobacco to millions of men is a necessity. The President calls it a luxury, but it is a luxury in no other sense than tea and coffee are luxuries. It is well to remember that the luxury of yesterday becomes a necessity of to-day. Watch, if you please, the number of men at work on the farm, in the coal mine, along the railroad, in the iron foundry, or in any calling, and you will find ninety-five in a hundred chewing while they work. After each meal the same proportion seek the solace of a pipe or a cigar. These men not only pay the millions of the tobacco tax, but pay on every plug and every cigar an enhanced price which the tax enables the manufacturer and retailer to impose. The only excuse for such a tax is the actual necessity under which the government found itself during the war, and the years immediately following. To retain the tax now in order to destroy the protection which would incidentally flow from raising the same amount of money on foreign imports is certainly a most extraordinary policy for our government."

"Well, then, Mr. Blaine, would you advise the repeal of the whiskey tax also?"

"No, I would not. Other considerations than those of financial administration are to be taken into account with regard to whiskey. There is a moral side to it. To cheapen the price of whiskey is to increase its consumption enormously. There would be no sense in urg-

ing the reform wrought by high license in many states if the national government neutralizes the good effect by making whiskey within reach of every one at twenty cents a gallon. Whiskey would be everywhere distilled if the surveillance of the government were withdrawn by the remission of the tax, and illicit sales could not then be prevented even by a policy as rigorous and searching as that with which Russia pursues the Nihilists. It would destroy high license at once in all the states.

"Whiskey has done a vast deal of harm in the United States. I would try to make it do some good. I would use the tax to fortify our cities on the seaboard. In view of the powerful letter addressed to the Democratic party on the subject of fortifications by the late Mr. Samuel J. Tilden, in 1885, I am amazed that no attention has been paid to the subject by the Democratic administration. Never before in the history of the world has any government allowed great cities on the seaboard, like New York, Philadelphia, Boston, Baltimore, New Orleans, and San Francisco, to remain absolutely defenceless."

"But," said the reporter, "you don't think we are to have war in any direction?"

"Certainly not," said Mr. Blaine. "Neither, I presume, did Mr. Tilden when he wrote his remarkable letter. But we should change a remote chance into an absolute impossibility if our weak and exposed points were strongly fortified. If to-day we had by any chance even such a war as we had with Mexico, our enemy could procure ironclads in Europe that would menace our great cities with destruction or lay them under contribution."

"But would not our fortifying now possibly look as if we expected war?"

"Why should it any more than the fortifications made seventy or eighty years ago by our grandfathers when they guarded themselves against successful attack from the armaments of their day? We don't necessarily expect a burglar because we lock our doors at night, but if by any possibility a burglar comes it contributes vastly to our peace of mind and our sound sleep to feel that he can't get in."

"But after the fortifications should be constructed would you still maintain the tax on whiskey?"

"Yes," said Mr. Blaine, "so long as there is whiskey to tax I would tax it, and when the national government should have no use for the money I would divide the tax among the members of the Federal Union with the specific object of lightening the tax on real estate. The houses and farms of the whole country pay too large a proportion of the total taxes. If ultimately relief could be given in that direction it would, in my judgment, be a wise and beneficent policy. Some honest but misguided friends of temperance have urged that the government should not use the money derived from the tax on whiskey. My reply is that the tax on whiskey by the Federal government, with its suppression of all illicit distillation and consequent enhancement of price, has been a powerful agent in the temperance reform by putting it beyond the reach of so many. The amount of whiskey consumed in the United States per capita to-day is not more than 40 per cent. of that consumed thirty years ago."

After a few moment's silence Mr. Blaine added, that in his judgment the whiskey tax should be so modified as to permit all who use pure alcohol in the arts or in mechanical pursuits to have it free of tax. In all such cases the tax could be remitted without danger of fraud, just as now the tax on spirits exported is remitted.

"Besides your general and sweeping opposition to the President's recommendation, have you any further specific objection?"

"Yes," answered Mr. Blaine; "I should seriously object to the repeal of the duty on wool. To repeal that would work great injustice to many interests and would seriously discourage what we should earnestly encourage, namely, the sheep culture among farmers throughout the Union. To break down wool-growing and be dependent on foreign countries for the blanket under which we sleep and the coat that covers our backs is not a wise policy for the national government to enforce."

"Do you think if the President's recommendation were adopted it would increase our export trade?"

"Possibly in some few articles of peculiar construction it might, but it would increase our import trade tenfold as much in the great staple fabrics, in woollen and cotton goods, in iron, in steel, in all the

thousand and one shapes in which they are wrought. How are we to export staple fabrics to the markets of Europe unless we make them cheaper than they do in Europe, and how are we to manufacture them cheaper than they do in Europe unless we get cheaper labor than they have in Europe?"

"Then you think that the question of labor underlies the whole subject?"

"Of course it does," replied Mr. Blaine. "It is, in fact, the entire question. Whenever we can force carpenters, masons, iron-workers, and mechanics in every department to work as cheaply and live as poorly in the United States as similar workmen in Europe, we can, of course, manufacture just as cheaply as they do in England and France. But I am totally opposed to a policy that would entail such results. To attempt it is equivalent to a social and financial revolution, one that would bring untold distress."

"Yes, but might not the great farming class be benefited by importing articles from Europe instead of buying them at higher prices at home?"

"The moment," answered Mr. Blaine, "you begin to import freely from Europe you drive our own workmen from mechanical and manufacturing pursuits. In the same proportion they become tillers of the soil, increasing steadily the agricultural product and decreasing steadily the large home demand which is constantly enlarging as home manufactures enlarge. That, of course, works great injury to the farmer, glutting the market with his products and tending constantly to lower prices."

"Yes, but the foreign demand for farm products would be increased in like ratio, would it not?"

"Even suppose it were," said Mr. Blaine, "how do you know the source from which it will be supplied. The tendency in Russia to-day and in the Asiatic possessions of England is towards a large increase of the grain supply, the grain being raised by the cheapest possible labor. Manufacturing countries will buy their breadstuffs where they can get them cheapest, and the enlarging of the home market for the American farmer being checked he would search in vain for one of

the same value. His foreign sales are already checked by the great competition abroad. There never was a time when the increase of a large home market was so valuable to him. The best proof is that the farmers are prosperous in proportion to the nearness of manufacturing centres, and a protective tariff tends to spread manufactures. In Ohio and Indiana, for example, though not classed as manufacturing states, the annual value of fabrics is larger than the annual value of agricultural products."

"But those holding the President's views," remarked the reporter, "are always quoting the great prosperity of the country under the tariff of 1846."

"That tariff did not involve the one destructive point recommended by the President, namely, the retaining of direct internal taxes in order to abolish indirect taxes levied on foreign fabrics. But the country had peculiar advantages under it by the Crimean war involving England, France, and Russia, and largely impairing their trade. All these incidents, or accidents, if you choose, were immensely stimulating to trade in the United States, regardless of the nature of our tariff. But mark the end of this European experience with the tariff of 1846, which for a time gave an illusory and deceptive show of prosperity. Its enactment was immediately followed by the Mexican war; then in 1848 by the great convulsions of Europe; then in 1849 and succeeding years by the enormous gold yield in California. The Powers made peace in 1856, and at the same time the output of gold in California fell off. Immediately the financial panic of 1857 came upon the country with disastrous force. Though we had in these years mined a vast amount of gold in California, every bank in New York was compelled to suspend specie payment. Four hundred millions in gold had been carried out of the country in eight years to pay for foreign goods that should have been manufactured at home, and we had years of depression and distress as an atonement for our folly.

"It is remarkable that President Polk recommended the tariff of 1846 on precisely the same ground that President Cleveland recommends a similar enactment now, namely, the surplus in the Treasury was menacing the prosperity of the country. History is repeating

itself. By the way," Mr. Blaine added, after a moment's reflection, "it is worth notice that Mr. Polk insisted on emptying the Treasury by a free-trade tariff, then immediately rushed the country into debt by borrowing $150,000,000 for the Mexican war. I trust nothing may occur to repeat so disastrous a sequel to the policy recommended by President Cleveland. But the uniform fate has been for fifty years past that the Democratic party when it goes out of power always leaves an empty Treasury, and when it returns to power always finds a full Treasury."

"Then do you mean to imply that there should be no reduction of the national revenue?"

"No, what I have said implies the reverse. I would reduce it by a prompt repeal of the tobacco tax, and would make here and there some changes in the tariff not to reduce protection, but wisely foster it."

"Would you explain your meaning more fully?"

"I mean," said Mr. Blaine, "that no great system of revenue like our tariff can operate with efficiency and equity unless the changes of trade be closely watched and the law promptly adapted to those changes. But I would make no change that should impair the protective character of the whole body of the tariff laws. Four years ago, in the Act of 1883, we made changes of the character I have tried to indicate. If such changes were made, and the fortifying of our sea-coast thus undertaken at a very moderate annual outlay, no surplus would be found after that already accumulated had been disposed of. The outlay of money on fortifications, while doing great service to the country, would give good work to many men."

"But what about the existing surplus?"

"The abstract of the message I have seen," replied Mr. Blaine, "contains no reference to that point. I, therefore, make no comment further than to indorse Mr. Fred Grant's remark that a surplus is always easier to handle than a deficit."

The reporter repeated the question whether the President's recommendation would not, if adopted, give us the advantage of a large increase in exports.

"I only repeat," answered Mr. Blaine, "that it would vastly enlarge our imports, while the only export it would seriously increase would be our gold and silver. That would flow out bounteously, just as it did under the tariff of 1846. The President's recommendation enacted into law would result as did an experiment in drainage of a man who wished to turn a swamp into a productive field. He dug a drain to a neighboring river, but it happened, unfortunately, that the level of the river was higher than the level of the swamp. The consequence need not be told. A parallel would be found when the President's policy in attempting to open a channel for an increase of exports should simply succeed in making way for a deluging inflow of fabrics to the destruction of home industry."

"But don't you think it important to increase our export trade?"

"Undoubtedly; but it is vastly more important not to lose our own great market for our own people in the vain effort to reach the impossible. It is not our foreign trade that has caused the wonderful growth and expansion of the republic. It is the vast domestic trade between thirty-eight states and eight territories, with their population of, perhaps, 62,000,000 to-day. The whole amount of our export and import trade together has never, I think, reached $1,900,000,000 any one year. Our internal home trade on 130,000 miles of railway, along 15,000 miles of ocean coast, over the five great lakes, and along 20,000 miles of navigable rivers, reaches the enormous annual aggregate of more than $40,000,000,000, and perhaps this year $50,000,000,000.

"It is into this illimitable trade, even now in its infancy, and destined to attain a magnitude not dreamed of twenty years ago, that the Europeans are struggling to enter. It is the heritage of the American people, of their children, and of their children's children. It gives an absolutely free trade over a territory nearly as large as all Europe, and the profit is all our own. The genuine free-trader appears unable to see or comprehend that this continental trade—not our exchanges with Europe—is the great source of our prosperity. President Cleveland now plainly proposes a policy that will admit Europe to a share of this trade."

"But you are in favor of extending our foreign trade, are you not?"

"Certainly I am, in all practical and advantageous ways, but not on the principle of the free traders, by which we shall be constantly exchanging dollar for dime. Moreover, the foreign trade is often very delusive. Cotton is manufactured in the city of my residence. If a box of cotton goods is sent two hundred miles to the province of New Brunswick, it is foreign trade. If shipped seventeen thousand miles round Cape Horn to Washington Territory it is domestic trade. The magnitude of the Union and the immensity of its internal trade require a new political economy. The treatises written for European states do not grasp our peculiar situation."

"How will the President's message be taken in the South?"

"I don't dare to answer that question. The truth has been so long obscured by certain local questions of unreasoning prejudice that nobody can hope for industrial enlightenment among their leaders just yet. But in my view the South above all sections of the Union needs a protective tariff. The two Virginias, North Carolina, Kentucky, Missouri, Tennessee, Alabama, and Georgia have enormous resources and facilities for developing and handling manufactures. They cannot do anything without protection. Even progress so vast as some of those states have made will be checked if the President's message is enacted into law. Their senators and representatives can prevent it, but they are so used to following anything labelled 'Democratic' that very probably they will follow the President and blight the progress already made. By the time some of the Southern States get free iron ore and coal, while tobacco is taxed, they may have occasion to sit down and calculate the value of Democratic free trade to their local interests."

"Will not the President's recommendation to admit raw material find strong support?"

"Not by wise protectionists in our time. Perhaps some greedy manufacturers may think that with free coal or free iron ore they can do great things, but if they should succeed in trying they will, as the boys say, catch it on the rebound. If the home trade in raw material is destroyed or seriously injured railroads will be the first to feel it. If that vast interest is crippled in any direction the financial fabric of the

whole country will feel it quickly and seriously. If any man can give a reason why we should arrange the tariff to favor the raw material of other countries in a competition against our material of the same kind, I should like to hear it. Should that recommendation of the President be approved it would turn one hundred thousand American laborers out of employment before it had been a year in operation."

"What must be the marked and general effect of the President's message?"

"It will bring the country where it ought to be brought—to a full and fair contest on the question of protection. The President himself makes it the one issue by presenting no other in his message. I think it well to have the question settled. The Democratic party in power is a standing menance to the industrial prosperity of the country. That menace should be removed or the policy it foreshadows should be made certain. Nothing is so mischievous to business as uncertainty, nothing so paralyzing as doubt." G. W. S.

THE TARIFF

"FOR REVENUE ONLY."

BY

HENRY WATTERSON.

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I.

To the average understanding of this generation of Americans no word connected with the operations of government presents, in proportion to its significance, so slight a meaning as the little word "Tariff." Although the discussion of the "tariff" has occupied a share of public attention during our time equal to, if not greater than, that given any one of the questions which have aroused the universal and excited feeling of the people, and arrayed sections and parties in angry controversy, the subject has failed to take hold of the popular imagination in a degree approaching its actual relation to the business and bosoms of men. The Georgian who for the sake of hospitality submitted to every manner of indignity from his guest, until, having reduced the company to two, the offender began "deliberately to talk about the tariff"—when he was promptly ejected—affords a humorous and not an entirely exaggerated illustration of the aversion with which a large class of citizens turn away from what it regards as beyond ordinary comprehension.

Yet no single function of government refers so directly and incessantly to the personal affairs of men, women, and children as the power to tax applied to the taxation of foreign commodities, and, as it shall be the purpose of this paper to show, no question is simpler of elucidation when stripped of the sophisms that invest it, and reduced to the dimen-

sions of a business transaction between the government and its citizens, which as a matter of fact it is, no more and no less.

The natural right of man to dispose of his handiwork as he pleases, subject alone to the public necessity, is unquestioned. In ancient times no limitations were set upon this individual freedom of trade. The theory of restriction, as it is known to the European world and advocated in the United States, is of comparatively modern growth, having its origin in the need of money to maintain the increasing cost of monarchy, and a mistaken belief on the part of the mercantilism which succeeded the feudalism of the Middle Ages, that artificial restraints set on commerce somehow affected the currency, and would keep money at home. The war of the American Revolution was the direct consequence of the policy of restriction established by Great Britain over her colonies; and so fixed was the adherence to that policy, with its prescriptive rights and preferred classes, its taxation of the many for the benefit of the few, that, after the establishment of the government of the United States, England declined our proposal to institute free trade between the two countries. In those days it was not pretended that restriction protected the work-people. It was an exclusive prerogative of the aristocracy, who had no motive to conceal its actual operation and effect in securing to them the full advantage of the monopolies they enjoyed by reason of royal favor, in which the masses of mankind had no part nor lot.

The exposure and overthrow of the monetary error, which misled the merchants, did not destroy the dogma of restriction it had brought into being. Founded in the selfishness and avarice of man, that dogma has sought successive points of refuge and defence, as experience has demonstrated its fallacies and compelled it to retreat from untenable positions. In America we are chiefly concerned with the inconsistencies it has disclosed to us during nearly a century of special pleading.

It secured its admission to our national policy in the dual character of a patriot aiming to make us self-sustaining in time of war, and an economist bent only upon the development of our infant industries. Before it could attain recognition and access, however, it had to ignore that clause in our Declaration of Independence, born of resistance to

oppressive taxation, which denounces King George the Third "for cutting off our trade with all parts of the world." To hold its own it has had to violate the spirit and letter of the Federal Constitution, which limits the power "to lay and collect taxes, duties, imposts, and excises" exclusively to public purposes, defined "to pay the debts and provide for the common defence and general welfare of the United States." Driven from the absurdity of nourishing infants older than the republic itself, and unable longer to dispute a construction of the organic law of the land from our highest judicial tribunal, which declares that "to lay with one hand the power of the government on the property of the citizen, and with the other bestow it upon favored individuals to aid private enterprises and build up private fortunes, is none the less robbery because it is done under the forms of law and is called taxation," this dogma of restriction, which from its inception has never been anything other than an instrument of the capitalist and an axiom in the gospel of Mammon, now turns to the work-people, hitherto so unconsidered, and masquerading as a philanthropist, proclaims its mission to be "the protection of American industry from the pauper labor of Europe."

Thus brought to a final issue, the dogma of restriction, or protection, as it prefers to call itself, is reduced to two claims: the first, that it is necessary to enable our domestic manufacturers to compete with their foreign rivals; and the second, that it guarantees to those engaged in manufactures certain and high wages, securing to the country, meanwhile, diversified industries and a home market.

To these ends the vast majority of the people who are engaged in unprotected employments are required to pay a bounty averaging nearly fifty per cent., and the principles of wise and just taxation, which, as the dews of heaven should fall on all alike, are, in defiance of the opinion of our Supreme Court, made to wait attendant upon the private interests of a favored class. Nay, nor is this the worst of it, for, in order that its theory of development may continue to assess the many to enrich a few, to widen the distance between capital and labor, to create deeper and darker contrasts in human conditions, prolonging forever a system of excessive taxation, which was imposed to meet the exigencies of war, and admitted by those who imposed it to be a great

popular and patriotic sacrifice, it is argued that we must abate no part of the exactions imposed, under penalty of destroying the business of the country and relegating our work-people to starvation.

If I should be asked to furnish a title-page for the history of a career at once so adaptable and so pragmatic, I should imitate the brevity of the current play-bill, and call it "Assurance." Certainly that quality has not been wanting to the varying face it has from time to time turned to the public, its latest and present aspect being one of menace. Starting out as a patriot who would levy a small tax for purposes of common safety and defence, then assuming the *rôle* of a statesman who would temporarily advance this tax until our infant industries should gain their stature and stand upon a sure footing, then donning the garments of the humanitarian who lives only to establish and maintain institutions of eleemosynary enterprise, our dogma feels itself at last strong enough to threaten us with industrial extinction unless we yield ourselves wholly and permanently and without question to a domination which, until very lately, was not dreamed of by the most sanguine apostles of protection.

Circumstance has certainly favored restrictive theories in the United States. During twenty years they were left in undisputed possession of the minds of the people and the public policy. In spite, however, of the pretensions they now put forward, and the vast accumulations of wealth to the creation of which they lay exclusive claim, the ideal state so confidently predicted for the era of protection was not realized. On the contrary, the inevitable consequences of restriction—beginning with artificial stimulation, high prices, and plenty of work, to end with glutted markets, excessive competition, strikes, lock-outs, and the survival of the fittest—called the question once again to the front. A system yielding such results might well be challenged. But could it be as well defended?

The friends of protection thought not so. They met the assault upon the tariff with evasions and pleas for delay. Forced to concede the justice of the complaint that we were continuing in time of peace a scale of duties arranged for a time of war, they at length raised a Tariff Commission, charged with the duty of a proper revision and

reduction. This commission, composed entirely of protectionists, made a report which recommended a general reduction of twenty-five per cent. The report, which had not been reached without scandal, was thrown out of Congress by common consent. To this point the advantages of controversy lay with the revenue reformers. But no sooner had the movement for reform assumed an air of serious danger to the privileges of the protected classes, and become a political issue in the elections, than means were found to organize within the Democratic party, which had arraigned the policy of high tariff for which the Republican party was responsible, a faction that may be described as protectionist first and Democratic afterwards.

Inevitable vacillation, timidity, and lack of purpose in Democratic counsels followed. The Republicans saw their advantage, and were not slow to improve it. Three efforts to obtain consideration of the question in the Lower House of Congress, a majority of whose members had been successively elected as Democrats pledged to reform the tariff, were defeated by an alliance of the Republicans with a scant minority of protectionist Democrats. Meanwhile the protectionists, emboldened by their success and by the continuing divisions and irresolution among the Democrats, plucked up courage and advanced their demands. The exactions of the tariff having at last accumulated in the National Treasury a surplus that cannot be disregarded, and must be considered—an urgency which brings forward for review the whole question of Federal taxation and revenue—they now insist that the doctrine of protection, pure and simple, is not merely an economic truth to be proclaimed at all hazards, but a fixed national policy which shall not be disturbed.

On the case so made up party forces are about to be joined, and if some conclusion be not reached in Congress at the coming session the question will go to the country as the chief issue in the Presidential campaign. The situation is one which revenue reformers have long wished for, and which they hail with satisfaction. They think they see in it the beginning of the end of excessive, and therefore of needless and unjust, taxation.

II.

It is contended by the advocates of each recurring scheme for the regeneration of mankind that it, and it alone, is equal to the proposed emergency. The followers of Richard Cobden and John Bright conscientiously believed and predicted for free trade a millenium, which has not come to pass, for there is still starvation in England. The disciples of Mr. George and Dr. McGlynn look to the abolition of property in land and the substitution of land rental as a remedy for the inequalities of taxation and the obliteration of poverty. In like manner the protectionist is loud in praise of the virtues of his specific, which, according to its label, is to secure the native manufacturer a profit against his foreign rival without increasing the cost of manufactured products to the domestic consumer, and to insure the native operative steady work and good wages by restricting production to a home market, whose wants are not able to employ half his time. To be sure, protection is advertised to do many other things, such as the building of cities and the opening of mines, unconscious, or refusing to allow, that cities spring from a concentration of population, altogether independent of tariff laws, and that wherever accessible mineral wealth has been discovered in sufficient abundance to justify its development capital has never been wanting. But the mainstays of the prevailing protective argument are the manufacturer, who thinks he cannot stand without the help of high import duties levied upon the commodities of his foreign rival, and the operative, who is induced to believe that these duties affect his wages, and in some way keep him out of the poorhouse.

The truth is that protection in America as little as free trade in England has wrought what was claimed for it and expected of it by its partisans, to wit, the extinction of pauperism. Nor will thoughtful men look to any theory of legislation or plan of government to do that. As long as there are inequalities in human character they will show themselves in human conditions. The frugal man will save while the thriftless man wastes his substance, and to the end of time the rewards of sobriety and skill will be set against the penalties attached

to incapacity and sloth. All that statesmen can do is to consider what is right and what is best, and contrasting opposite policies and systems with the assistance of collected information, follow the injunction of Paul, and "hold that which is good." Government is more or less a compromise, and too much in wisdom may not be required of it. But wise and free men should have a care that its compromises are just to all, and not the artifices of self-interest and class-interest, disguised as philanthropists.

Those who demand the revision of our war tariff, the reduction of its duties, and the reform of its abuses do not deceive themselves, and have no wish to dupe the people into the notion that the simple righting of a wrong, however great, is going to work a miracle in the state of the country, converting an Irishman into a Scotchman, an Ethiopian into an Anglo-Saxon, and extracting sunbeams from cucumbers. They dream of no Utopia. They advance no visionary theories. They are at once practical in their aims and conservative in their methods. They point to the excess of revenue wrung from the people as a proof of needless and therefore unjust taxation. They point to duties levied rather upon the necessaries of life than on its luxuries, and so fixed as to yield the largest bounty to the manufacturer, the highest cost to the consumer, and the least revenue to the government, yet, notwithstanding, amassing a vast surplus in the Treasury. They deny that such a sacrifice of the tax-payer is either expedient or just, that it represents any right of domestic industry, that it confers any blessing on the domestic workman, and stigmatizing it, as the Supreme Court has stigmatized it, as "robbery under the forms of law," they propose to substitute in place of the system which exacts it a system less restrictive to commerce and less costly to the great body of the people. Since no question, however practical, can be discussed without some reference to theory, which is simply a vehicle of exposition, they sustain their exhibit of ascertained facts by theories drawn from nature's laws and the history of trade, which they believe to be equally conclusive. But the strength of their case lies in the assumptions of the protectionist theory that the country can be enriched by taxation, and its attendant claim that Congress has the right to levy taxes for any other than for public purposes.

In considering the question here I shall limit myself to the two propositions on which the advocates of protective duties mainly rely—that they cheapen the home market and insure high wages. If the error of these pretensions can be shown, the claim of protection upon the community at large, and the operative in particular, falls to the ground. *Falsum in uno falsum in omni.* Countless volumes have been written, and may be written, with the only effect, and often with the sole purpose, of complicating the argument and confusing inquiry. There is but one way, however, to tell the truth, and that is never complex. No moralist can successfully maintain that in a free government like ours it is right to tax one man for the benefit of another, and no statistician can demonstrate how prices can be lowered by increasing the cost of production.

III.

The American farmer, for example—to say nothing of the millions of Americans engaged in mercantile and professional pursuits, who are in the same boat with the farmer—has no protection for his products. He pays relatively as high for the labor he employs as the American manufacturer. Indeed, the difference between the wages he pays his work-people and those paid by his foreign rivals to their work-people is often greater than the difference in wages paid respectively by American and European manufacturers. Yet the American farmer maintains a successful competition with "the pauper labor of Europe." Why is this? and is it not an answer to the plea for protection to the manufacturer which is neither given to nor asked by the farmer?

The farmer takes his products abroad and sells them at a profit in the home market of his foreign rival. But he cannot purchase in that market what he wants without paying a bounty in the form of protective duties, collected, the moment he touches his native shore, for the benefit of the American manufacturer. In other words, he is compelled by law to pay, out of what he gets for his unprotected produce, a tax to enable his fellow-citizen, the protected manufacturer, to make a profit on what he produces. What reimbursement does the farmer get for his forced tribute to the manufacturer?

He gets nothing. He is told that he gets a home market for what he has to sell, and a cheaper market for what he has to buy. If he did, that would end the argument. But he does not, because if he had not exhausted the home market, he would have nothing to send abroad to sell, and if the home manufacturer could and did undersell the foreign market from which the farmer is excluded by protective duties, what need would the home manufacturer have for those duties? They are levied to enable him to make a profit against his foreign rival, and to the extent of his wants the American farmer must pay the difference.

No casuistry, supported by a great array of figures, can alter this fact, which is perfectly understood by the American farmer. That rich mineral deposits invite population, and that their development makes wealth, no one will deny. The discovery of gold in California is a case in point. As by magic a new world sprang into existence, with every manner of diversified industry. All that the advocates of protection claim for their theory was realized substantially under free trade, and in an incredibly short period of time. Yet the gold-digger neither asked nor obtained protection against "the pauper labor of Europe," and in the subsequent outcry against Chinese cheap labor the protectionist idea, as we are used to hearing it, cut no figure whatever. Diversified industries and high-priced food are the results not of tariff laws, but of the concentration of masses of people at given points favorable to commerce and manufactures, which spring from the concentration, and not the concentration from them. The protectionists confuse cause and effect. They claim everything for their dogma, and allow nothing to nature. No one has given a more graphic illustration of this state of confusion than Mr. Henry George. Thus:

"Here, in substance, is the argument which has been addressed to the people of the United States from the time when we became a nation to the present day: Manufacturing countries are always rich countries. Countries that produce only raw materials are always poor. Therefore, if we would be rich, we must have manufactures; we must encourage them.

"To many this argument seems plausible, especially as the taxes for the 'encouragement' of the protected industries are levied in such a way that their payment is not realized. But I could make as good an argument to the people of the little

town of Jamaica, near which I am now living, in support of a subsidy to a theatre. I could say to them :

"'All large cities have theatres, and the more theatres it has, the larger the city. Look at New York : New York has more theatres than any other city in America, and is consequently the greatest city in America. Philadelphia ranks next to New York in the number and size of its theatres, and therefore comes next to New York in population and wealth. So, throughout the country, whenever you find large, well-appointed theatres, you will find large and prosperous towns, while where there are no theatres the towns are small. Is it any wonder that Jamaica is so small and grows so slowly when it has no theatres at all? People do not like to settle in a place where they cannot occasionally go to the theatre. If you want Jamaica to thrive, you must take steps to build a fine theatre, which will attract a large population. Look at Brooklyn : Brooklyn was only a small river-side village before its people had the enterprise to start a theatre, and see now, since they began to build theatres, how large a city Brooklyn has become.'

"Modelling my argument on that addressed to American voters by the Presidential candidate of the Republican party in 1884, I might then drop into 'statistics,' and point to the fact that when theatrical representations first began in this country its population did not amount to a million ; that it was totally destitute of railroads, and without a single mile of telegraph wire. Such has been our progress since theatres were introduced, that the census of 1880 showed that we had 50,155,783 people, 97,907 miles of railroad, and 291,212$\frac{9}{10}$ miles of telegraph wires. Or I might go into greater detail, as the protectionist statisticians are accustomed to do. I might take the date of the building of each of the New York theatres, give the wealth and population of the city at that time, and then by representing the statistics of population and wealth a few years later, show that the building of each theatre had been followed by a marked increase in population and wealth.

"I might point out that San Francisco had not a theatre until the Americans came there, and was consequently but a struggling village, that the new-comers immediately set up theatres and maintained them more generously than any other similar population in the world, and that the consequence was the marvellous growth of San Francisco. I might show that Chicago and Denver and Kansas City, all remarkably good theatre towns, have also been remarkable for their rapid growth, and, as in the case of New York, prove statistically that the building of each theatre these cities contain has been followed by an increase of population and wealth.

"Then, stretching out after protectionist fashion into the historical argument, I might refer to the fact that Nineveh and Babylon had no theatres that we know of, and so went to utter ruin ; dilate upon the fondness of the ancient Greeks for theatrical entertainments conducted at public expense, and their consequent greatness in arts and arms ; point out how the Romans went even further than the Greeks in their encouragement of the theatre, and built at public cost the largest theatre in the world, and how Rome became the mistress of the nations. And to embellish and give point to the argument I might, perhaps, drop into poetry, recalling Byron's lines,

'When falls the Coliseum, Rome shall fall;
And when Rome falls—the world.'

Recovering from this, I might cite the fact that in every province they conquered the Romans established theatres, as explaining the remarkable facility with which they extended their civilization and made the conquered provinces integral parts of their great empire; point out that the decline of these theatres and the decay of Roman power and civilization went on together; and that the extinction of the theatre brought on the night of the Dark Ages. Dwelling then a moment upon the rudeness and ignorance of that time when there were no theatres, I might triumphantly point to the beginning of modern civilization as contemporaneous with the revival of theatrical entertainments in miracle-plays and court masques. And showing how these plays and masques were always supported by monasteries, municipalities, and princes, and how places where they began became sites of great cities, I could laud the wisdom of 'encouraging infant theatricals.' Then in the fact that English actors, until recently, styled themselves her majesty's servants, and that the lord chamberlain still has authority over the English boards, and must license plays before they can be acted, I could trace to a national system of subsidizing infant theatricals the foundation of England's greatness. Coming back to our own times, I could call attention to the fact that Paris, where theatres are still subsidized and actors still draw their salaries from the public treasury, is the world's metropolis of fashion and art, steadily growing in population and wealth, though other parts of the same country which do not enjoy subsidized theatres are either at a standstill or declining. And, finally, I could point to the astuteness of the Mormon leaders, who early in the settlement of Salt Lake built a spacious theatre, and whose little village in the sage-brush, then hardly as large as Jamaica, has since the building of this theatre grown to be a populous and beautiful city, and indignantly ask whether the virtuous people of Jamaica should allow themselves to be outdone by wicked polygamists.

"If such an argument would not induce the Jamaicans to tax themselves to 'encourage' a theatre, would it not at least be as logical as arguments that have induced the American people to tax themselves to encourage manufactures?"

In this may be seen an exposure, as complete as it is felicitous, of the fallacy that manufactures make great cities with their diversified employments and their consumption of high-priced food, which the distant farmer, who gains none of the profits, is assured compensate him for the tax he pays on every article of necessity he has to buy.

But let us return to the question of prices, and see how the account stands between the manufacturer and the consumer. It is assuredly true that in the last twenty-five years there has been a decline

in prices. There have been causes operating universally which have lowered to a remarkable extent the price of most manufactured articles. In this multiplication of the comforts of life America has shared to some extent, but to a much less extent than she would have shared had her productions not been restricted by "the protective system." The products of mechanical skill are lower in price in America to-day than prior to 1860; yet this decline cannot be traced to local causes, for the decline is general. Certainly the United States tariff has not lowered the price of English products. That the American products are not as low as those of England is evident from a comparison of the export trade of England and that of this country. In the metals England exported $237,500,000 in 1880, against $14,116,000 of American exports. In textiles England exported in 1880 $534,500,000, against $10,216,000 exported by the United States. In 1880 we exported raw cotton to all countries to the value of $239,000,000; but during the same year Great Britain, besides supplying her own domestic consumption from the raw cotton she bought of us, exported manufactured cotton to the value of $375,000,000. England can undersell us only because the tariff has not reduced the prices in this country to the level of prices in England.

In 1880 our manufacturers sent to Central and South America $3,899,400 worth of manufactured cotton goods; but the English sent to the same territory—a territory contiguous to us, and under normal conditions exclusively ours—$51,235,000, or, to state it differently, Great Britain sells thirteen dollars' worth of cotton goods to these American states south of us, to one dollar's worth sent by our own manufacturers. Manifestly England controls this trade because she furnishes the goods cheaper than does the manufacturer in the United States.

Perhaps the most striking fact of recent industrial history is the improvement in the manufacture of steel rails, by which the price in England has fallen from $61.50 in 1868 to $18 in 1886. In the same time the price in America, which in 1868 was $158 in depreciated currency, declined to $26 in 1886, and in the past twelve months has advanced to $44.

It is customary for the protectionist to point to this steel-rail industry as convincing proof of the value of the tariff in decreasing prices, but as the price has fallen in England far below the American level, the cause cannot be local. It must be general; it must be due to an influence that works as effectively elsewhere as here. This influence is the inventive genius of the age.

This steel-rail tax is a perpetual burden. The lowest quotation on British rails in 1886 was $18.15; freight by steamer to New Orleans, $1.25; dockage, etc., $1; duty, $17; total, $37.40, allowing nothing for commission. When the American price advanced to $38, importations increased. As we have seen, there has been an advance in the American price within the last twelve months of $17 a ton. Should a repeal of the tariff result in a decline of $17, the price would not be less than it was at one time in 1886; yet the decline was not disastrous, while the subsequent advance was costly. In the year 1887 the product of the American Steel Rail Combination was 1,500,000 tons. There are in the United States about 140,000 miles of railroad, and this year the new roads will reach to 10,000 miles, possibly 12,000. Ninety tons of steel rails are required for every mile of road where steel is used. It is safe to say that the steel rails cost the companies $15 more, year in and year out, because of the tariff, or $1350 for every mile of road built. Multiplying this by 10,000, the number of miles to be built in 1887, for the new roads alone the tax is $13,500,000.

These rails last only ten years. The entire railroad system of the United States has to be renewed every ten years, or at the rate at present of 14,000 miles a year; the additional cost of this, at $1350 per mile, or for the $14,000 miles, is $18,900,000. In other words, the tariff will soon impose upon the builders of new roads, and on those who renew the old ones as they wear out, a tax of $32,400,000 in excess of what the cost would be were the American railroads permitted to purchase rails where they could buy them cheapest. A part of this tax is capitalized, and goes into the cost of the roads; the remainder increases the operating expenses to that extent.

A more striking example than this of the real character of the protective system may not be found, and it ought to serve both as a reve-

lation and a warning. All these vast profits, forced by law out of the pockets of the whole people, have gone into a few hands, and have, in a few years, built up enormous private wealth at the public expense. They were, and they continue to be, an assessment upon every mile of travel made and every pound of freight carried, for the benefit of a specially favored and a very small class. Yet, though larger in degree, they are not different in kind from countless other impositions of the tariff to which the country is indebted for the startling inequalities of fortune witnessed by the present generation of Americans. The old English statute that, under rigid penalties, required the dead to be buried in woollens, for the purpose of encouraging the manufacture of textile fabrics, was scarcely more grotesque than are some of the jobs which have crept into our tariff, which, if they were not so unjust and audacious, would be laughable.

For example, after the great Chicago fire, when Congress, in an impulse of generosity, had remitted from taxation for one year all building material designed for the reconstruction of the stricken city, it was found that an item excluding lumber from the proposed exemption had mysteriously imbedded itself in the act. Again, when the bill proposed by the Tariff Commission had been thrown out of Congress, and the House of Representatives had passed a bill of its own, to which the Senate made a number of amendments, resulting in a committee of conference, the committee of conference, composed of a majority of protectionists, brought in between night and morning a report which, in diverse cases where the two Houses had agreed, actually set aside the agreement in every case, increasing the rate of duty previously agreed upon. Still another illustration of the sacrifice of the public to private interests may be found in the story of the quinine tax, though the record of our tariff legislation is full of illustrations. All of them prove how the tariff has been used to increase the profits of the domestic manufacturer by shutting out his foreign competitor, and thus increasing prices to the domestic consumer. They also show how, as long as such opportunities for private gain exist in our protective system, the public, with its general interests, will stand at a great disadvantage against private enterprise, with its incessant and pointed

activity ever present at Washington, and ever watchful of the course and tendency of legislation.

IV.

The strength of the protectionists' hold upon the American workman, which is admitted, springs from the workman's dread of want, and the danger of this want is a direct result of conditions brought about by the protectionist and his theory of protection.

Cobden said, forcibly and truly, that "when two employers run after one workman, wages rise; and when two workmen run after one employer, wages fall." In the United States the restrictions of manufacturers to the home market, with no real restriction to immigration, coupled with the increase of the use of labor-saving machinery, has wrought this result, making work a boon, so that, in spite of the escapes and reliefs afforded our work-people by cheap lands, discontent among them is universal.

It must be a bad system which in such a country produces such an outcry. In the face of it, where is the protectionist's argument that the American operative is the most prosperous and happy in the world? That he has more of what is called liberty is true. That his opportunities for improving his fortune are greater in a free, fresh, young country, not yet half occupied, than they are, or can be, in the crowded countries of Europe, with their ancient aristocratic fences and conventions still upon them, goes without saying. These beneficent and exceptional features of the New World over the cramped conditions of the Old World are no more referable to the tariff, however, than they are referable to the single rule of three. Yet in spite of them the American workman is less satisfied, and makes louder complaint, than the English or the French workman. If protection gave him such constant work and sufficient wages as is claimed, why the clamor, and why the strikes, and why the lock-outs? Certain it is that no such things came to pass among us until the theory and practice of protection had reached their fullest recognition and development.

As an argument to sustain the plea that the tariff increases wages, we are told that wages are higher than they were prior to 1860. That

wages are higher generally is a statement not open to dispute. During these twenty-five years the inventor has revolutionized all mechanical industries; in other words, the manufacturer has employed machines to such an extent that the amount of manual labor engaged in the industry in proportion to product has been greatly decreased. It is roughly estimated that in the past one hundred years, or since the application of steam to machinery, considering only the various processes of cotton cultivation and manufacture, machinery has so improved that one man does the work it then required two thousand five hundred men to do. One, upon the mere statement of this fact, would suppose the result would be the decrease in compensation of the laborer. On the contrary, we find that there has been a steady increase in the value (purchasing power) of labor, and a depression in the value of money.

The sixteenth annual report of the Massachusetts Bureau of Statistics deals at length with the advance in wages from 1830 to 1860. It shows that there has been an advance, with only slight fluctuations, from the earliest time until now. Even the commercial revulsions of 1837 and 1857 served only as a check, and had no positive effect in the opposite direction. Still further, these tables show that Walker's revenue tariff, established in 1846 and continuing until 1860, did not interfere with this movement towards increased wages. During all that period, according to these tables, the upward movement continued without interruption, if not with accelerated force.

Turning to the fifteenth annual report of the same bureau for information concerning the course of wages, we find (page 424) noticed a continual advance from 1860 until 1872; then a steady decline until 1880; then a rally and a continued improvement until 1883. In the United States, from 1860 to 1883, the advance was 28.36 per cent.

In Great Britain wages advanced from 1872 to 1877, fell off between 1877 and 1880, and advanced again between 1880 and 1883. From 1872 to 1883 the advance in Great Britain was 9.74 per cent. In Massachusetts wages in 1883 were 5.41 per cent. lower than in 1872, notwithstanding the rally in 1880. In this same report Colonel Wright submits some figures as to the course of wages in Great Britain for a

few of the most important industries, prepared by George Lord, President of the Manchester Board of Trade, showing an average increase in wages from 1850 to 1883 of 39.18 per cent.

These facts make it clear that the advance in wages is independent of the tariff. Wages advanced in America from 1830 to 1860 steadily through all tariff changes, and during a period of fourteen years when we had a tariff for revenue only. From 1860 to 1883, during a period of war and financial demoralization and political excitement, the advance continued, but with periods of fluctuation more plainly marked, registering in the twenty-three years an increase of 28.36 per cent.

In Great Britain, under a near approach to free trade, we find in the principal mechanical industries an advance from 1850 to 1883 of 39.18 per cent., and—what was not the case to anything like the same extent in America—accompanied by a marvellous expansion of export of manufactured goods.

Except for our vast area of cheap, fertile, and unoccupied lands, we should have had far greater want among our work-people than they have ever yet known, and when there are no more such lands open to occupation, who shall say that the load we have put upon ourselves will not be heavier than we can bear? On this point the testimony of Senator Beck, of Kentucky, is of particular value. As a man familiar with that portion of our country which is yet free to the settler, and also with the condition of the laboring classes in other countries, Mr. Beck may be justly considered an authority. Referring to this matter, he said, in a speech delivered in the Senate the 29th of April, 1886, and in answer to a question put by the Hon. George F. Edmunds, of Vermont:

"The laboring man's only protection is to require that the products of his labor shall be manufactured upon such a basis and on so large a scale that they can be sent all over the world; that one billion five hundred million people shall be customers for his work, instead of fifty-five million. Until this is done we shall have strikes, oft repeated, even on this great continent. From 1873 to 1878 this land was full of tramps. We all know the circumstances that brought them to that condition. I saw many of those homeless laborers in their wanderings. I have been to the Northwest many a time since.

"What was then apparently a great calamity turned out to be a blessing in dis-

guise. They settled upon the wheat lands of Dakota and Minnesota, Montana and elsewhere, and driven as they were from employment because the shops were shut up, and they were apparently on the verge of starvation, they took advantage of the bounty of the government through the homestead and pre-emption laws, and many of the men who fled from closed factories, as well as those who came from Ireland, Germany, and elsewhere, settled on these lands, and became rich and prosperous in spite of protection; they became rich because of the adversity that our protection to slaves in form of machines had brought upon them.

"If protection is so beneficial, why are so many thousands of men idle in this country to-day? If protection protects on a great continent like this, why are our laboring people now so discontented? In a little country like England, Scotland, or Ireland, when men are driven out of employment, there is no great free Northwest with one hundred and sixty acres of good free land offered as a homestead, and a pre-emption to go and get for the taking. They have to stay where they are. There is no outlet, therefore they are obliged to suffer. One thing mitigates their suffering, however: the money those men get for their wages, though less than what our workmen receive, will buy twice as much.

"If a man works for $1 in one place and gets $2 in another, where he has to pay his $2 for a blanket, while the man who works for $1 can buy the same blanket for $1, he who gets $1 for his wages is just as well off as the other is with $2."

This view of the case disposes effectually, I think, of the pretence that the American operative owes anything of his improved condition over the European operative to the tariff. At the same time it clearly illustrates the way our great centres of population are drained of their surplus laborers when the results of over-production, inseparable from protected machinery and restricted markets, have culminated in the inevitable lock-outs which such processes compel.

But, as shall be clearly shown, the wages of labor in the United States are fixed by the wages of the unprotected farm hand, not of the protected factory operative. It is cheap land, not protective duties, that produces high wages, completely refuting the old protectionist theory that "high prices make high wages, and that low prices make low wages." High prices have often coexisted with low wages, and low prices have often coexisted and now coexist with high wages. This is true even with respect to nominal wages, *i. e.*, to wages reckoned in money. It is still truer with respect to real wages, *i. e.*, to wages estimated in the food or other things which the workman buys with his money wages.

Manufactured products may be divided into three elements—the labor, the raw material, and the capital required to bring these two together. If the price of the raw material is high, labor's reward must be low. If the use of money—or the rate of interest—is high, there is a corresponding decrease in the rewards of labor. But political economists have noticed during the past fifty years, as capital has accumulated, the rate of interest and the tendency of profit have been downward. As these elements in the cost of production decrease, there is a greater margin allowed for the reward of labor. Because of the vast improvement in mechanical industry and the wonderful progress made in transportation, the general condition of the laboring classes throughout the world has been advanced. In this advance the laborer of America has shared; but in so far as the tariff enhances the cost of the raw material used by the manufacturer, the wages of the American laborer suffer; in so far as the market of the American product is restricted, and the uncertainty of the rewards of capital caused thereby is augmented, the laborer pays the penalty.

In order that labor may secure the highest reward, it is essential that the productive power of money and machinery shall be greatest, for it is from the product of this joint labor of man and machine that his wages must ultimately come. The tariff enhances the cost of machinery and of raw material, and restricts the market of American products, and in so doing, instead of advancing, its effect is to decrease the wages of the American workingman.

Notwithstanding these facts, it is contended by the advocates of a system of restriction that high wages are incompatible with cheap production, and they insist that if they are forced to compete with the manufactured goods of Europe, they must begin by reducing wages. The history of industry shows, on the contrary, that cheap production proceeds best under a system of high wages, and for the past one hundred years, as wages have advanced, prices of manufactured articles have steadily declined. The chief of the Massachusetts Bureau of Statistics accounts for it in this way in his sixteenth report:

"The sharp competition of the present day renders it necessary for employers to watch carefully that important element in production, the cost of labor as represented

in wages; and in considering the question of labor cost, the rate of wages is generally taken as the standard. We venture the suggestion, however, that it is the sum of wages, and not the rate, which constitutes the true money standard of cost of labor, and we carry this suggestion to its logical outcome in the following proposition: In proportion as capital, through machinery, becomes more effective, the relative number of laborers is decreased in proportion to product, the rate of wages is increased, and the sum of wages is reduced, that is, lower cost is compassed by way of higher wages."

I admit it, as an economic law, that, as Mr. Edward Atkinson, puts it, where labor is free and industry progressive, improvements in production result in giving increased abundance at lower prices to the consumer, and in yielding a larger proportionate share of the aggregate product to the workman, at the same time compelling capital to satisfy itself with a smaller share. This is the situation in England, where forty years of freedom from restriction have improved the condition of the work people at least twofold. If starvation and wretchedness still exist among the English operatives, it is because man can devise no system to extinguish incapacity, disease, and crime. In America, on the other hand, the restrictive feature of protection has defeated the ends of the sound economic laws above stated by its denial of continuous work, its abridgment of the purchasing power of wages, and its erection in the mind of the workman of a desire for legislative help, which, seeing that it has been established in favor of his employer, he not unnaturally or unreasonably demands for himself.

The English workman does not dread cheap labor. His antagonist is expert labor. It is the inexpert pauper labor of Europe which is overmatched by the skilled, high-priced labor of England. Our chief European rival is England. Yet the spectre of the pauper labor of Europe, which England despises, walks his round as sentinel for protection in America.

In Mr. Daniel Pidgeon's admirable and suggestive "Old World Questions and New World Answers" (Harper & Brothers, 1885), the following lucid statement of the case is made:

"The idea that wages are determinable by the tariff is the corner-stone of American protection. It is, however, easy to show that wages in the States are determined, not in the factory, but on the farm, not by protection, but by free trade. Out of a total population of 50,000,000 there are 17,500,000 of workers, the remainder being

dependants. Nearly eight millions of the workers are engaged in agriculture, and less than three millions in manufacturing industries, while of the total produce raised by the former class two thirds is consumed in this country, and the remaining third, representing almost the whole foreign trade of the States, is exported. The prices which these surplus exports realize are chiefly determined in the markets where they are sold, of which Liverpool is the chief, and they will be high or low according as the harvests of the world are good or bad. Similarly the wages which can be paid to American labor engaged in the production of food stuffs must depend on the amount of money obtained in exchange for them, and as the great majority of workers are so engaged their rates of wages will regulate those in every other branch of business. Wages, like water, seeks a level, and labor will quit the field for the workshop, or the workshop for the field, as this or that pays best. Thus agriculture is the paymaster whom American manufacturers must outbid, and agricultural wages are determined in this free-trade market of the world. A glance at the condition of industry in America vividly illustrates this conclusion. A population still very sparse is for the most part engaged in gathering where it has not sown. Any man with a few dollars and a strong pair of arms can win far greater rewards from the cheap and fertile soil of the States than he could possibly obtain by the same amount of effort in Europe. His wages are high because the grade of comfort to be obtained from the land by a little labor is high, and the artisan's wages must follow suit if the immigrant is to be tempted from the field into the workshop. But the politicians would have us believe that American labor owes its prosperity to taxation; in other words, that the immigrant comes seeking to enjoy, not the rich prizes with which the untouched earth rewards his toil, but the blessings that flow from a prohibitive tariff, which adds an average 43 per cent. to the cost of every human requirement except food."

Mr. Pidgeon then goes on to show that American ingenuity and industry can and do produce good and cheap results, even with the burden of our tariff, and with extremely high wages, and that, to take one instance, we are able, notwithstanding our tariff, and notwithstanding a very high rate of wages, to compete successfully with England in the important manufacture of agricultural implements. In like manner, and in support of the same view, M. Émile Chevalier concludes, after examining the course of prices and wages in England, France, Germany, the United States, Australia, and other civilized countries, that while during the century the prices of all manufactured articles, and latterly of agricultural produce also, have fallen, the money wages of the workmen engaged in producing them have risen largely; and the purchasing power of those money wages has risen more largely still. He also comes to this conclusion, that although

money wages are higher in the United States and in Australia than in Europe, wages are higher in England than in any other European country, while the prices of all things manufactured or imported are lower in England than in any other country.

Unless these facts and data can be disproved, they demonstrate conclusively the fallacy that protective duties have anything whatever to do with high wages.

V.

The significance of what is called "the labor movement" in the United States cannot be under-estimated by any thoughtful person. Its aims may be visionary; the motives of its leaders may be good or they may be ill; its methods may be violent; but it is a fact from which the country cannot escape, and the most serious fact of the time. It presents itself to us as it has never presented itself before in the annals of government, for under our system of universal suffrage and free elections each citizen is a sovereign. The vote of the humblest workman can kill the vote of the richest capitalist, and the day may not be distant when there will be united organization, thorough discipline, and a determined purpose among the workmen to commit the homicide.

What is the matter with them? What is their complaint? What do they want? They have, and have for twenty-five years had, all the protection which the most exacting friend of subsidy could desire. They are assured by the protectionists that they are better paid and better off than their comrades in any part of the world, and measurably this is true, and for reasons, as I have attempted to show, other than high import duties. Their most conspicuous leader, Mr. Henry George, from whom I have already quoted—a man of commanding intellectual gifts, at once fearless and winning in his public approaches—has stated their case, with great particularity, both in his writings and in his speeches. Too great consequences cannot be attached to these. He has lately written and published a book entitled "Protection or Free Trade," which purports to be "an examination of the tariff question with special regard to the interests of labor," and is

dedicated "to the memory of those illustrious Frenchmen of a century ago, Quesnay, Turgot, Mirabeau, Condorcet, Dupont, and their fellows, who, in the night of despotism, foresaw the coming day." He devotes two thirds of this book to an exposure of the fallacies of protection. He requires but a single chapter to dismiss the free-trader, who is content to stop with the abolition of the tariff, while the contempt he has for the mere advocate of "a tariff for revenue only" is expressed in a scorn so disdainful that it is almost silent. "American revenue reformers," says Mr. George, "delude themselves if they imagine that protection can ever be overthrown in the United States on the lines of the Cobden Club. The day for that has passed." He then proceeds to develop his theory of free lands, which he tells us will alone satisfy the claims and fulfil the hopes of the work-people, whose advocate and leader he is recognized to be.

Are there not in this a portent and a moral? Considering the evil fruits of protection, and the vast, unyielding power of the monopolies established under it, Mr. George first sets himself the task of overthrowing its influence upon the minds of his followers. Having completed this, he next shows them the insufficiency of free trade. Finally he advances a theory of free land, based on public land rental, which he develops with mathematical precision and logical accuracy, but which, for all its appeal to the imagination of the landless classes, is a dream possible of realization only through a bloody revolution. What is his text? The robbery of protection. What is his complaint? The inadequacy of free trade. But if protectionism had not established in its theory of paternal government the right of the workman to claim that which the capitalist has received, where would Mr. George find a warrant for his argument?

Thus we see, in spite of the extremism of their superficial differences, a present bond of union and co-operation between the party of protection and the party of free land, on which the protectionists rely to make a breach in the party of revenue reform wide enough for them to pass through to victory.

Beneath the surface there is an affinity still closer and more real, which has been admirably stated by the Hon. John G. Carlisle, Speaker

of the national House of Representatives, from whom I quote the following:

"It is not by any means singular that a strong feeling of sympathy should exist between those who want a paternal government and those who want no government —between those who want the government to do everything and those who want it to do nothing. While one faction advocates governmental interference in all the affairs of the people, another faction opposes governmental interference for any purpose, even to preserve the peace and protect the rights of property; and yet their reasoning, in the abstract, is substantially the same, and if followed to its logical conclusion would produce substantially the same result. The man who believes that it is the right and duty of the government to take the earnings of one citizen, by taxation or otherwise, and give them to another, differs very little from the man who denies the right of property altogether. If the government may rightfully compel you by law to give any part of the proceeds of your labor or your skill to another man, why may it not, with equal right, compel you to give him your horse or your land? The fact that this is done indirectly, and under the guise of taxation, does not in the slightest degree affect the question of right or wrong involved in the transaction, but it greatly increases the danger to the people, because they are less likely to detect and resist the spoliation when it is committed through this insidious process. It is not the manner in which you are despoiled, but the fact that you are despoiled, that constitutes the wrong. And if the government may rightfully collect money by taxation and then donate it as a bounty or subsidy to individuals or corporations engaged in particular industries or particular commercial enterprises, in order to make their private business profitable, why may it not also collect it and distribute it among particular classes of the people in order to equalize their fortunes, and thus accomplish all that Socialism and Communism are demanding? The advocates of taxation for the purpose of increasing the profits of one individual at the expense of another, the advocates of bounties and subsidies, and the advocates of paternal government generally, cannot halt in the middle of their arguments and refuse to recognize the legitimate and inevitable results of their own doctrines. They must know—and they do know—that when they have proved their own right, by the use of the power of the government or otherwise, to take the money or property of others and appropriate it to themselves, they have also proved the right of all others to take their money and property in the same way; and thus the right of private ownership is made to depend entirely upon the numerical strength of the two sides. There is so little difference in principle and in practical results between paternal government and mob government that it is not worth while to express a preference for one over the other."

For years the advocates of a thorough revision and a real reform of the tariff have urged that if the interests subsidized under it succeed in withstanding the appeals of conservative men and in continuing the

policy of a refusal to consider the correction of admitted abuses, the time may come when excited and undiscriminating mobs will compass and control that which had better been intrusted to the custody and determination of statesmen. The attitude of Mr. George and his followers embodies his menace. It is the nature of prescriptive pretensions, rights, and titles to be blind to danger until it is close upon them. The display of a wise forbearance and the exercise of the least foresight, according to our present ways of thinking, would, in the defenders of the old order, with its divinity of kings and queens, have saved France the Terror. The French Revolution, bloody as it was and cruel, was a protest against pertinacity in errors and wrongs which would not listen to reform. The conceit that such explosions are no longer possible is born in the vanity of civilization and the pride of nationality. That which has been may be, and to human suffering and frenzy all things are possible. Each of the Ages has had its Angel of destruction. Ours seems to be organized monopoly; and who shall say that it may not be permitted to run its course and to flaunt its signals until it becomes as oppressive and as odious in America as feudal tenures became in France, and in the end as destructive?

VI.

The true way to avert such dangers is to meet agrarian clamor with a spirit so reasonable as to disarm agitation of its more dangerous weapons. Our representative government is exposed to the criticism that it represents the great body of the people, who are busy with their every-day pursuits, and have little time to engage in political movement, only when scandal and outrage have passed the bounds of decent endurance and roused men to action, while to the approaches of mercenary and clandestine adventure it is at all times accessible. That which has money in it never wants for an attorney at Washington; and the *ex-officio* department of the government, known as the Lobby, has come to be only a degree less potent than the Congress. Meanwhile the interests of the country at large are too often left to take care of themselves.

All this is the outcome of a false theory of the functions of the

government, and an organized form of corruption attendant upon this false theory, to which the protected or subsidized interests have constituted themselves a body-guard. It should be the aim of conservative men to stand between the two extremes thus marshalled upon the field of political combat, and though so wide apart, playing into one another's hands. The surplus pouring into an already overflowing Treasury as the result of excessive taxation commands immediate attention. All admit that it must be stopped, and stopped at once. It can be stopped by abolishing the internal taxes on distilled spirits and tobacco, leaving the tariff taxes untouched, or it can be stopped by a reduction of import duties. The party of revenue reform proposes the latter method. The protectionists, on the other hand, urge the abolition of the internal taxes. In that House of Congress to which is committed the enactment of revenue laws the revenue reformers have a working majority, and are therefore charged with the responsibility of an affirmative policy. What will they do with it?

They can undoubtedly reduce the taxes without reducing revenue, and, *vice versa*, reduce the revenue without reducing the taxes. "To reduce both revenue and taxation at the same time," says Mr. Speaker Carlisle, "is the problem now presented, and the true Democratic solution is to abolish, as far as practicable, the taxes on the actual necessaries of life, and on the raw materials used in their production, and to revise, simplify, and in proper cases to reduce the duties on the other articles embraced in the tariff schedules." This is, and has always been, the position and the sole purpose of the advocates of a system of taxation brought to the revenue requirements of the government economically administered.

But it is one thing to deny the efficacy and to expose the fallacies of the dogma of protection, and to maintain that the government has no right to tax the citizen except for public purposes, and it is another thing to revise and reduce the tariff to an exclusively revenue standard. The house which is set upon an unsafe foundation and built of rotting timber, yet is full of occupants, may not be suddenly razed to the ground.

No one entitled to the name of statesman would advise the pre-

cipitate substitution of "a tariff for revenue only" for the system of bounties, denominated protection, which we have maintained for a quarter of a century. That clause of the tariff plank in the last national Democratic platform which pledged the party to revise the tariff "in a spirit of fairness to all interests" was as sincerely as it was unanimously adopted. In making reductions it could be the purpose of no responsible party to injure the industries of the country, but the rather to promote their healthy growth; and it being true that many industries have come to rely upon legislation for successful continuance, changes in our revenue laws should be, at every step, regardful of the labor and capital involved. All revenue reformers agree to that. That which they insist upon is that we shall begin the work, already too long deferred, of putting the war tariff on a peace footing, and that to the process of the revision and reduction shall be applied the wisdom of economic experience, the principles of the Constitution, and the equities of just taxation, which must be general, and not special.

The manufacturers, who think they cannot live and prosper without the subsidies which they enjoy under the tariff, and who refuse to listen to the just demands of reform, should take to their minds and hearts a lesson out of the darkest chapter in American history. The slave-owner thought he could not raise sugar, rice, and cotton at a profit without the protection he enjoyed in slave labor. Out of that error rose the gigantic and baleful power which through fifty years threatened our national life. Beginning upon the lines of an economic fallacy, the institution thus arrayed against the fundamental principle of our republican fabric, at once illogical and inhuman, developed into an oligarchy stronger than the union of the States. All the while it was a thorough delusion; as a system of labor, clumsy and costly; as a political influence, despotic; as a moral force, destructive. Like the protectionists of to-day, its friends would listen to nothing, and in blood and flame it was swept out of existence. And now what do we see? —such productivity under free labor as was never dreamed of under slave labor.

Let our manufacturers reperuse the story and mark the parallel between the progress of slavery and the progress of protection. They

will find the analogy perfect to the point which brings us to the present attitude of protection. May it go no further! but may the point attained be a point of departure from the arrogant claims and violent methods of the Old Slavery, varying the destiny of the future from the history of the past, as to the spirit of enlightened justice it shall disclose in those who cling with such mistaken tenacity to the New Slavery embodied and vitalized by the dogma of restriction!

THE TARIFF*

NOT "FOR REVENUE ONLY," BUT ALSO FOR PROTECTION AND DEVELOPMENT.

BY

GEORGE F. EDMUNDS.

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THE article by Mr. Watterson in the January number of *Harper's Magazine* certainly deserves the admiration even of those who may totally disagree with him, both in respect of his fundamental assumptions and the conclusions at which he arrives. It presents a specious and alluring picture of what he takes to be the evils of a tariff which has for one of its purposes the protection of American industry and the development of American resources, and it anathematizes with the best of rhetoric what he conceives to have been the motive, the purpose, and the effect of this species of legislation in all countries that have resorted to it. His strong and just condemnation of the taxation of one man or many for the benefit of others, and his condemnation of the control or attempted control of the industrial movements of society and of legislation by combinations of selfish interests, cannot be too highly applauded nor too strongly supported by any lover of the general welfare of his country.

But when we leave his general considerations, with which all sensible and patriotic men agree, and come, as all practical, earnest people must, to a consideration of exactly what has happened, and how, in respect of what are called protective tariffs, beneficial changes are to

* This article was in the hands of the printer before the President's Message was sent to Congress on the 6th of December last.—EDITOR.

be accomplished, it is not so easy to perceive, in some important respects, precisely what his position is, and precisely how, consistently with the admitted necessity of caring for the existing interests of the producers, manufacturers, and consumers in this country, he would correct the evils he supposes to exist.

It is not true, as I understand history, that in any instance a protective tariff has been inaugurated and put in operation for the benefit of any privileged class whatever. These systems of legislation have, it is believed, always been put in operation for the general development of the resources and the encouragement of the industries of the countries that have resorted to them, whatever in some instances may have been the *motive*, as distinguished from the *purpose* and *effect*, of such laws. The one instance of Great Britain may be taken as a fair example of all, although from a protective-tariff country she has come in the course of two centuries to a very large degree to be a so-called free-trade country.

When her system of protection began she was (as our own country is now) in a large degree a rural country, with mines enough and fields enough, and in general with every other resource sufficient to feed and find employment for the whole of her population; and it was her policy to provide by her customs and navigation laws that every one of her natural resources and all of her inhabitants should find development, labor, and with due thrift an increase of wealth. The only differences in situation among her people were purely internal and conventional, or were the natural ones that must exist in all countries until we have anarchy and chaos; that is to say, one person might be the owner of land, another the owner of a mine, and a third of a water-power, and a fourth a merchant, and a fifth a feudal lord, and so on. If all these could be induced by legislation to supply each other with the necessaries and comforts of life without resorting to foreign aid, which must be paid for, it was thought certain that the general average of wealth and development must necessarily increase, and with it the individual prosperity of all her people, so far as individual prosperity could depend upon industry, economy, and thrift. There was nothing in her general system of customs and navigation that favored one class

of her people at the expense of another, for the laws applied equally to them all, until in respect of her colonies she adopted another and fatal policy. Her laws commercial were not calculated to build up, nor did they build up or tend to build up, an aristocracy either of land, power, or money in favor of one body of her people as against another. The aristocracy of land, as it may be called, was not a consequence of this system, but it existed before it, and it is clear that it would have continued to exist to a much larger degree than it does now had it not been for the very system of protection she so early adopted and so long continued, and that she has now, with the same purpose of protecting and advancing her interests, partly abolished. With the increase of her general wealth, distributed among a great number of persons, came the distribution of her lands into the hands of a greatly increased number of people; and just in proportion as the general diffusion of wealth increased, the independence of her middle and lower classes increased also, and the domination of the great landholders diminished in the same proportion.

Through the long period of her protective system for production, manufacture, trade, and navigation, it will not be disputed by any one that, in spite of the enormous waste both of life and treasure in wars, her wealth as a nation, the development of all her natural resources, the improvement of the condition of all classes of her people, and her population, increased enormously, so that in later and still recent days her condition, as it respected the necessity or even desirability of continuing the strictness of her customs and navigation laws, had passed away. She had already become the mistress of the world in manufactures and commerce, and almost so in arms. She had, however, from this very growth, become unable either to feed or clothe her now overabundant population from the products of her own soil, and so, as it was thought, a partial free trade became as naturally her proper policy for the continued prosperity of her people as protection had been before under entirely different conditions, and of course she would then more strongly desire, and could with more plausibility advocate, the abolishing of customs and navigation laws by other countries whose markets her people wished to employ for the sale of their productions,

well understanding the error of the idea that seems to be advanced in Mr. Watterson's article, that it is the consumer who bears the whole burden of impost duties, and well understanding the fact that, at the least, a very heavy proportion of such imposts is borne by the foreign producer or manufacturer. This last-named fact appears to be entirely overlooked by those who advocate great reductions of customs duties as a benefit to the consumer, and as a relief of the consumer from taxation.

If the profits of the foreign manufacturer or producer are essentially diminished by customs duties, and are essentially increased by the diminution or abolition thereof, then, so far, the money obtained from them is not by taxation of our own people, but by taxation of the foreigner; and if the surplus revenues are to be reduced by the abolition or reduction of the customs duties, so far they are reduced, not for the benefit of our own people, but to the benefit of people of other countries who are the exporters of goods to our markets. This is well illustrated by our experience in the abolition of the duties upon tea and coffee in the year 1872. Before this abolition there had come into the Treasury many millions of dollars a year as duties from these two articles (in 1870–71 there were over twenty-two millions), neither of which was produced in the United States, and so it was supposed that these articles would be cheapened to the consumers, and that no injury could be done to any domestic interest by their abolition. And this was partly true, so far as its direct effect was concerned, but there ceased to come into the common Treasury from fifteen to twenty millions of dollars a year,* while the consumers of tea and coffee paid substantially the same or higher prices for these things than they did before, and the net result was that our Treasury gave up to foreign producers and operators that number of millions of money, without any advantage whatever to us, except that the Treasury was by that sum depleted. Even in respect of wholesale prices no change can be attributed to the repeal. The wholesale prices of teas six months before the passage of the act abolishing the duties were:

* See. Ex. Doc. No. 19, 46th Cong., 2d Sess.

Hyson:			
Common to fair	40c.	@	55c.
Superior to fine	60c.	@	75c.
Extra fine to finest	80c.	@	$1 15
Young Hyson:			
Common to fair	40c.	@	55c.
Superior to fine	60c.	@	90c.
Extra fine to finest	$1 00	@	$1 30
Gunpowder and Imperial:			
Common to fair	60c.	@	70c.
Superior to fine	80c.	@	$1 00
Extra fine to finest	$1 10	@	$1 45

The prices of coffee were:

Rio:			
Ordinary	14¼c.	@	14½c.
Fair	14¾c.	@	15c.
Good	15½c.	@	15¾c.
Prime	16¼c.	@	16½c.
Java (duty paid)	25c.	@	26½c.
Singapore	19c.	@	20c.
Jamaica	17½c.	@	19c.
Manila	17½c.	@	19c.

Six months after the passage of the act the prices of teas were:

Hyson:			
Common to fair	45c.	@	52c.
Superior to fine	55c.	@	68c.
Extra fine to finest	70c.	@	95c.
Young Hyson:			
Common to fair	38c.	@	45c.
Superior to fine	52c.	@	75c.
Extra fine to finest	80c.	@	$1 15.
Gunpowder and Imperial:			
Common to fair	55c.	@	65c.
Superior to fine	75c.	@	92c.
Extra fine to finest	95c.	@	$1 40

The prices of coffee were:

Rio:			
Ordinary	15c.	@	15¼c.
Fair	16c.	@	16½c.
Good	17½c.	@	17¾c.
Prime	18c.	@	18¼c.
Java	18¾c.	@	19c.
Singapore	15½c.	@	17c.
Jamaica	15c.	@	16c.
Manila	15c.	@	16c.

The price of tea rose, as did the price of coffee such as is chiefly used by the great mass of the people, though the price of Java coffee was less.

Allowing for all conceivable accidents and incidents of production or trade, it must be apparent that the abolition of the duties upon tea and coffee was substantially purely a benefit to the producer and exporter, and not to ourselves.

Another illustration may be found in the history of "reciprocity" with Canada, and in the evidence taken before the Senate Committee on Foreign Relations in September and October, 1886,* on the subject of the fisheries question.

Under the reciprocity treaty of 1854 with Great Britain a considerable and important amount of the productions of the Canadian provinces was admitted into the United States duty free. This resort to free trade did not, so far as is known, have any particular effect in diminishing the price to the consumer of these and similar productions. And when, in the year 1865, the treaty was terminated and the duties again imposed, it is not known that this change produced any rise in prices, and hence it would seem to follow that the duties exacted were paid and borne by the producer and exporter rather than by the American consumers. But it by no means follows from these instances that a general reduction or abolition of duties upon articles competing with those produced in the United States would not be followed by a fall of prices. It doubtless would, for the tax being removed from the foreign producer and exporter, he could afford to lower his prices and still make the same profit as before, and at the same time make larger sales.

Under the treaty of 1871 with Great Britain, Canadian fish were admitted duty free. This treaty was terminated, pursuant to a resolution of Congress, on the 1st day of July, 1885, and the regular statutory duties were imposed, and yet the evidence taken by the Senate committee showed without any contradiction that the price of fish for the consumers continued to be substantially the same. The evidence also showed that the American exporters of fish had themselves to bear the customs duties that were imposed upon that commodity in every foreign country it was exported to by them. So far, then, as our experience is worth anything, it seems to be clear that it is not true in a

* Senate Rep. No. 1683, 49th Cong., 2d Sess.

general sense that customs duties are as a whole or in the greater part a tax or burden upon the domestic consumer. If this be true, as in the case of tea and coffee, where there is no domestic production or competition, and also true in respect of fish, where there is home production and competition, must it not be equally true in general in respect of all commodities that the people of the United States are capable of producing or manufacturing for themselves?

But if it be not true that, in respect of things produced in this country, the abolition of duties works no fall in prices to the consumer, it must be because the foreigner may then undersell the home producer and manufacturer and still have a margin of profit. This, of course, means the increased consumption of foreign commodities, and by so much the diminution of the consumption of domestic products and manufactures; and consequently there must be a corresponding diminution of home production and manufactures, or a production that cannot be consumed. What does this mean, and who desires it? Will the iron-master or the textile fabric worker, however wealthy, employ as many men and women or pay as high wages as before if his sales are thus diminished? Certainly not. If he does not, what is to become of the people he now employs? Let them leave the occupations to which they have been bred, and "go West" to farming, says the free-trader. If they knew how to do this, and could do it, farm products would largely increase, but where would be the market for these increased farm products? The home market among the manufacturing classes would have been diminished, while the farm products would have increased, and the farm laborer, whether owner or hired, would find for the results of his labor a market already overstocked, and there would be a general failure of all who were not already independent, and for them a pure stagnation, for there are now produced more farm products than can be sold at much profit in all markets, both domestic and foreign. How could such a course increase the prosperity of the whole people?

But what is the capitalist and where is the monopoly that free trade is expected to overcome? The capitalist, as such, is, so far as any active effect on social progress or his own is concerned, the most help-

less of any member of a community. His capital is simply the saved and stored-up fruit of previous labor, and it is as inert as the metal in the heart of the mountain (or, as the paper-money men might say, as the pulp in a mill) until the brain and the arm of the workman, by whatever name he is called, put it into active motion, and enable it to exert its force by a combination with labor. The day's labor of the workman, whether of brain or pen or muscle, is only turned into capital as wages, be it fifty cents, as may be the average in other countries, or one dollar, as may be the average in this "tariff-ridden" country, and that capital of a day's work is then only useful as it comes into contact with the product of other labor in the form of food, clothing, house, or whatever its possessor may want. On the other hand—and not an adverse but co-operative hand—the labor of man is more than one half lost unless it has the benefit of capital already accumulated to aid it in its operations. Who can well begin the simplest farm operations—even with free land such as our country gives to every citizen honestly desiring to work it—or open a mine, or build a mill, without some capital, the stored-up fruits of previous effort? And if the laborers of a country seized all the capital, and the "liberty of anarchy" had its wish for a day, the unchangeable law would remain the same, and the relations of labor done, which is capital, and labor to be done, would be just what they were before. The argument, therefore, that the accumulation of capital is injurious to the interests of the workingman is destructive of all personal liberty and the right of personal advancement. It puts the lazy and the vicious on the same footing (or better) as the industrious, honest, and economical. The one class take what they have not earned, and the other lose what their labor has achieved.

The disturbance of the occupations of labor in the United States would affect a great—very great—proportion of our inhabitants. There are, in round numbers, now engaged in agriculture, 8,000,000; engaged in professional and personal service—justly embracing, as the census puts it, lawyers, doctors, and hired help of every domestic kind in one class—5,000,000; engaged in trade and transportation, 2,000,000; engaged in manufactures and mechanical industries, 4,000,000: a total of 19,000,000.

This total represents in families a number not less than 30,000,000 directly dependent upon agricultural pursuits, and not less than 14,000,000 dependent upon manufacturing and mechanical pursuits. If, then, by importing more of the products of foreign labor, we diminish the consumption of the products of home labor, we would shorten not only the total wages upon which 14,000,000 of our people subsist, but also the earnings upon which 30,000,000 of food, etc., producing citizens, who now supply their wants from the wages earned in manufacturing and mechanics, depend. The probable outcome of such a step ought to appall every working-man, and every capitalist, and all others who desire the welfare of all the people of their country.

It may be justly affirmed that it is the duty of every government —which ought to exert everywhere, and does with us theoretically exert, the co-ordinated will and purpose of the people—to provide, so far as legislation can do, for the beneficial employment of all its citizens. This affirmation rests upon the theory that separate and individual nations or states are, in the wise order of Providence, and each in its own way, to provide for the welfare of their own people rather than that of another—just as the members of every private family are to carry on their common and correlated affairs preferably for the advantage of themselves rather than for that of some other family.

If this proposition be admitted as a fundamental truth applicable to the people of the United States, then the question is not whether the individual laborer in the workshops of New Jersey or California could in a given year buy more cheaply a coat or a pair of shoes made in England or in Austria if the customs were diminished or abolished, but whether, such duties being diminished or abolished, he, in the course of any ten years, could live better and save more out of the wages of his labor than he and his fathers have been able to do under a protective tariff.

Unhappily for the broad and correspondingly attenuated theories of the free-traders, all human experience has proved, so far, that in countries like ours, possessing abundant and as yet unexhausted natural resources of every kind, the peoples that have persisted in tariffs for protection have been more prosperous and have grown more wealthy

than those which have not, and that this wealth and prosperity have not been confined to what are called capitalists or monopolists, but have fallen, as the early and the latter rain does, upon the whole earth, upon every honest, industrious, and economical member of the community, and that the condition of the humblest and the poorest has been ameliorated in the same degree as that of all others. This, as I perceive it, is the utmost that good government can accomplish. All else must depend upon the natural conditions, capabilities, conduct, and opportunities of men, as in the same way all else depends upon the same conditions among fellow-citizens in the smallest communities on any part of the earth.

But it is said that this protection operates unequally, and that it does aid some while it does not aid other members of the political family. This, if true, would be a grave objection; but it is not true if tariff laws are adjusted in their application to the various productions and industries of a country according to their relative situation and needs. In respect of commodities that are not and cannot be imported there is, of course, no need of protection, for there is nothing to protect against, and consequently the protection of some other commodity that could be and would be largely imported works no injustice to the first, any more than giving water to one that is thirsty is a wrong to one that is not. But in the United States there is scarcely any of the principal products that is not protected, and does not receive the benefit of such protection. The agriculturist is protected in respect of his cattle, his wheat, his oats, his butter, etc., just as his neighbor, the manufacturer, is protected in respect of his iron or his cotton cloth, and each therefore contributes in due proportion to the common good of all by the employment of all manufacturing resources near to the places of the production of the wool, the cotton, and the iron which furnish the materials and furnish useful occupations to large numbers of the population, who, in their turn, consume the products of the farm substantially at the places of origin.

Besides all this, the advocates of free trade seem always to overlook the very important fact in social economy that every act of transportation is itself a constant tax without revenue, and wherever it can

be dispensed with or diminished there is clear gain. The farmer whose wheat field is two miles from his granary is obviously a loser compared with him whose fields and barns are in the immediate neighborhood of each other. To transport wheat from Chicago to Liverpool, to be returned in the form of flour for consumption in the West, or to carry cotton from Mississippi to the mills of Manchester, to return in the form of cloths for the people of the Mississippi Valley, will be nowadays admitted to be absurd as a mere useless waste of human energy. A policy that discourages such a course, and stimulates production, manufactures, and the interchange of commodities within the shortest possible distance of each other, is a far different thing from that which the article of Mr. Watterson states to have been a grievance set forth in the Declaration of Independence as "cutting off our trade with all parts of the world." The wrong our fathers then complained of was that one body of British subjects, residing in one part of the empire, were denied the privileges that were granted to other subjects residing in another part of the empire, and it is perhaps not too much to say that had the customs and navigation laws of Great Britain been framed upon the principle that ours are required to be, giving no preference to the ports of any particular part of the empire, and no advantages to one set of subjects that could not be equally enjoyed by others, the Revolution of 1776 would not have occurred, and we might at this time be still subjects of her majesty. We may now all feel grateful that such a policy of injustice existed for the time, for it helped to make us free.

That the income of the government from customs and internal revenue has been very much too great for a considerable period of time may be affirmed by every protectionist with as much earnestness as it can be by any free-trader. Excess of revenue has no philosophical relation to the questions of protection and free trade. Under either system the revenue can be reduced to nothing. Under the first by prohibitory duties, and under the second by putting everything on the free list. The present state of things, therefore, furnishes no proof that any product whatever of the United States is over-protected, or that the income derived from customs is excessive.

Indeed, it is obvious to legislators of all parties that from customs duties alone, even in the present prosperous condition of the country, the revenues would be scant for carrying on liberally the operations of the government. If the internal taxes are to be retained and a diminution of the revenues attempted by lowering the customs duties, is there not great probability that such a lowering of duties will lead to an increased importation, and thus to the accumulation of as great a total revenue as now? If this be not so, then it is evident that the present "high tariff" furnishes no restraint upon importation, and the most of the evils imagined to flow from it cannot exist. If a diminution of the duties should be followed by largely increased importations, all the markets of the country would be overstocked with nearly everything that enters into consumption, and this would inevitably be followed by a diminution of home production, which simply means a diminution in all the employments of American labor, as well as a diminution in the prices paid for that which continued to be employed. Such a disaster we ought not to run the risk of if there be any other way of diminishing the revenues. The very able paper I have referred to seems to recognize the possibility of such a state of things, and generalizes against the "precipitate substitution of a tariff for revenue only," and advises such a mode of change to a tariff for revenue only as will promote the healthy growth of the industries of the country; but how such a course can be accomplished is not shown. If protection is tyranny and robbery, as the paper undertakes to show, we cannot be too hasty in abolishing it, but if under and by it the industries of the country have had a steady and healthful growth, and the wealth of the nation has steadily and enormously increased, and is far more equally distributed among all the people than in any free-trade country on the globe, then it would seem that the party really in favor of promoting the industries and increasing the wealth of the country should stand by protection, and should not destroy it or impair it as a means of diminishing the revenues.

The revenues can certainly be diminished by increasing the rate of duties upon articles imported, and without any danger of increasing the importations and so producing a glut in the market. The writer

of this paper does not advocate this. It is only stated to show that, looking to the quantum of revenue alone, it can in that way be diminished, while it is far from clear that an attempt to diminish by the opposite course, short of an absolute free list, would not be followed by as great if not greater revenue than at present.

Had the great and far-reaching policy of the administration of President Arthur been supported by the Senate and by Congress, the present accumulations in the Treasury could for a few years have been kept down by wise and economical expenditures for objects beneficial to every interest in the United States, and our country would have assumed a commanding place in the trade of the world. He negotiated a friendly and reciprocally advantageous treaty with the republic of Nicaragua, which gave our government the right to build and really to control the very practicable—and only practicable—canal between the Atlantic and Pacific oceans. This treaty came before the Senate for ratification after the Presidential election of 1884, and, unhappily, it did not seem to meet the approval of the President-elect, and so (as it required a two-thirds vote of the Senate for its ratification), after an ineffectual effort to confirm it, it was withdrawn by the present Chief Magistrate, and Nicaragua was left to resort to private enterprise, which fortunately is American to-day, but may, as in all such cases, be English or French or German to-morrow, to construct a work that must exercise the greatest influence on the commerce of the world, and which should have been under the governmental control of the United States, as the Suez Canal is under that of Great Britain. Steamship and postal lines to countries where our productions could find an open field might have been established or aided. But they have not been, and our rivals in production and trade, who pursue a different policy, enjoy at their ease the benefits for which we have not the wisdom to contend. We cry aloud for new avenues and consumers for the productions of our industry, and at the same time decline, with a fatuitous persistence, to take any step to obtain the one or to reach the other.

If the whole internal revenue system were abolished except the tax on national banks, and the customs laws were left substantially as they are, the revenues would be diminished to the point (and perhaps

below) of the absolute necessities of the government, and we should have only in force the system of collecting revenues that existed before the war of the rebellion, and with "the restored harmony of the States" would be restored to them the right to deal with whiskey and tobacco, and all social questions growing out of their production and use, untrammelled and unembarrassed by the interference of national law or the army of internal revenue agents. Everybody must agree that the money raised by the internal revenue system is a tax, and entirely a tax, upon the people and industries of the United States, which, as has been shown, is not the case with the customs revenues; and if any tax can be said to be direct and discriminative which is based upon a selection of particular home products to bear the burden which is not imposed upon other home products, it is this, and upon the just theory of equality in taxation upon *property* as such it cannot be defended. It is true that it is feared by many politicians, who look with a just and natural eye to the temper and sentiment of the people in their respective states, that a repeal of the tax on whiskey would not be popular in those communities and states where prohibition or other means of repressing or restraining the traffic in alcoholic drinks prevail; but it is believed this is an error, and that on reflection the people of the strongest prohibition communities would be satisfied that such a step would be of advantage to their cause. While the laws of Congress do not purport to interfere with the police powers of the states in regard to this subject, they certainly have had no tendency to diminish either the production or consumption of liquors, and they do not recognize the manufacture of and traffic in them as a lawful and tolerable occupation even in states denouncing the same traffic as a crime. Under the wise and necessary separation of the powers of Congress under the Constitution from those of the respective states, every internal social question was left with the states themselves, to be judged of and dealt with according to their own sense of propriety. Certainly, apart from the sentiment of deriving a revenue from an occupation or a commodity injurious to the public welfare, neither the cause of prohibition nor that of repression has been in any manner advanced by the internal tax upon whiskey; and on moral grounds the prohibitionist would hardly felicitate himself

upon sharing in the profits of a business he believed to be totally wrong and deserving of extirpation. If, upon grounds of sound political economy, the internal revenue tax ought to be abolished, members of Congress need not hesitate to do their duty from fear of an adverse sentiment on the part of some of their constituents. This path to a radical reduction of revenue is plain, the way easy, and the result certain. No industrial interest, whether of agriculture, of manufactures, or of commerce, can be injured by it, and if the income of the government should thus fall somewhat below its present rate of expenditure, there would be a very wholesome incentive to a rigid economy in all branches of the public service, and perhaps an introduction of that real reform which has recently been so much preached about and so little practised.

It is very often said by the advocates of free trade, and, as reported, notably by a very eminent member of the administration at a recent banquet of the New York Chamber of Commerce, that the failure of increase in our shipping and our selling trade in foreign countries is due to the protection contained in our tariff system. Aside from the great advantage of the British, French, and Germans in having long been in possession of the trade to foreign countries by established lines of transportation and colonial dependencies, it is not obvious to the understanding of common men how, for instance, a duty of five and one half cents a yard on cotton cloths imported into the United States could influence the dwellers along the banks of the La Plata or the Congo to refuse to buy American cottons if they were offered at a lower price than those of the nations around. The question with the purchaser always is one of price and quality, and not at all a matter of customs regulations of the country whence the goods come. But if we take up the only real point, viz., that the cost of the production of manufactured goods must be lowered in order that our goods may undersell the others, we come again instantly to the matter of cheapening labor; and so also, if the laborer is to live as well as he now does, of cheapening the rent of his house, and chiefly the cost of the food he and his family consume. Not long since, the wages of our cotton-workers were 28 per cent. greater than the British. In woollen-working they were 25 per cent. greater. In the carpet and worsted mills they

were 58 per cent. greater. In iron founderies and machinery building, 58 per cent. greater. In the manufactures of iron they were almost 100 per cent. greater.* And the same disparity doubtless still continues to a large degree; and in nearly if not quite all other pursuits of labor the rule is the same; while the food, clothing, and shelter of the wage-workers of the United States, from the humblest laborer up through the whole scale, are so immeasurably superior to those of the European in the same calling that comparison is scarcely adequate to illustrate it. If one of the great objects of good government be to promote the comfort, prosperity, and happiness of the whole body of the people, why should we reduce the cost of our manufactures to the foreigners' *minimum*, at the expense of reducing the price of labor or the price of any production into which labor enters, as the wool and the wheat of the farmer, as well as the fabrics of the loom and the shop? The encouragement of American lines of communication and the general superiority of our goods will, in the not far away future, give us a fair share of the sales in foreign markets; but to try to obtain it now by the means proposed by the free-traders, even if such means would have that effect, would be the opposite both of justice and good policy.

The supposed evils of our protective system, so vividly seen by the free-traders and the statesmen of rival nations, have gone hand in hand, as a mother leads her child, with blessings greatly outweighing all hardships and inconveniences, if any there are, and far greater than those of any other people: our population and wealth have increased and become more and more decentralized; our public schools have increased; comfortable homes, owned by their occupants, have increased; chains of busy villages and cities, not built like Mr. Henry George's theatre at Jamaica—so much admired by Mr. Watterson—but from the wages and by the hand of free, intelligent, and thrifty labor, have overspread our part of the continent from the rock-bound coast on which the Puritans made their homes to the gate of gold that opens the shores of the Tranquil Sea.

Such has been our progress. Will the people's representatives be wise enough to allow it to continue?

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* See Mr. Wells's report as Special Commissioner.

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